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NEWS SUMMARY

GENERAL

'Ripper evaded police 9 times'

The Yorkshire Ripper's catalogue of "sadistic" killings grew year by year as he slipped through the police net on nine separate occasions, an Old Bailey jury heard.

The number of times Sutcliffe, 34, a lorry driver, was interviewed by police before his final arrest was revealed by Sir Michael Havers, QC, Attorney-General.

Sutcliffe is charged with murdering 13 women and attempting to murder seven others. He has pleaded not guilty to murder but guilty to manslaughter on the grounds of diminished responsibility and guilty on the attempted murder charges.

China famine

Big areas of China are in the grip of one of the worst droughts of the century. It is thought more than 100m people face food shortages. Back Page

Tapping doubts

Australian *Communications* Minister Ian Sinclair said there were serious doubts about the truth of claims that Prince Charles's phone calls home were tapped and recorded. Mrs. Thatcher said the Commons would condemn any organisation which published the transcripts. Page 12

'Miracle needed'

Israeli Premier Menachem Begin said "only a miracle" would bring about a diplomatic solution to the Lebanese missile crisis. Page 4

Sinai talks plan

The formation of a multinational peacekeeping force for Sinai will be discussed by Egypt, the U.S. and Israel this month, said Egyptian Foreign Minister Kamal Hassan Ali.

Border protest

China lodged a formal protest accusing Vietnam of 241 "provocations and intrusions" across its border this year.

Sabotage probe

An official investigation into the stunt aircraft crash which killed Sanjay Gandhi, son of India's Prime Minister, is looking into the possibility of sabotage.

Closed shop move

Conservative backbenchers are planning to draft *detailed* proposals for tightening the law on closed shops. Page 12

Army rule, call

Spanish Right-wingers gathered outside Army headquarters in Madrid calling for a military takeover following a funeral service for a general killed by urban guerrillas.

Rugby row grows

Dublin's High Court rejected an application for an injunction to prevent the Irish rugby team using the words "Ireland" and "Irish" or wearing national *emblems during its* South African tour.

Briefly . . .

Gennadi Rozhdestvensky, conductor of the BBC Symphony Orchestra, has been awarded the Soviet Order of the Red Banner.

Fashion promoter Pierre Cardin has bought control of Maxim's, the Paris restaurant.

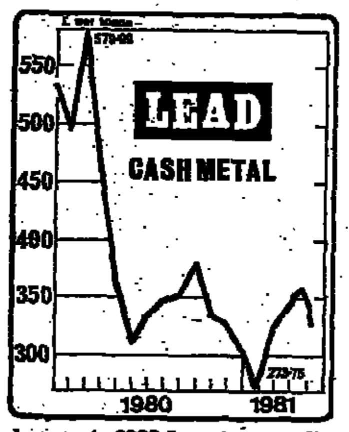
Patricia Hearst Shaw, the newspaper tycoon's *grand-daughter* kidnapped in 1974, gave birth to a daughter.

BUSINESS

Gold off $13; lead price falls

● GOLD fell $13 from Friday in London to $476.5. In New York, the Comex May close was $480.9 ($480.7). Page 30

● *LEAD* prices fell sharply on the London Metal Exchange, with cash lead closing £15.75



down at £328.5 a tonne after being hit by heavy selling. Page 39

● DOLLAR improved to DM 2.2655 from DM 2.2525 in New York *on Monday, and DM* 2.2055 in London on Friday. It also rose to SwFr 2.0675 from SwFr 2.0170 on Friday and to Y217.75 (Y215.7). Its trade-weighted index was 105.2 (103.3). Page 30

● STERLING closed at $2.1130, down 3.1 cents on Friday, but up from $2.1118 in New York on Monday. Against other currencies it closed at DM 4.79 (DM 4.73) and FFr 11.42 (FFr 11.2375). Its trade-weighted index was 99.0 (98.8). Page 30

● EQUITIES: the FT 30-share index closed 15.0 down at 576.9. Page 40

● GILTS: the Government Securities index lost 1.35 to 67.23. Page 40

● WALL STREET was down 7.84 at 971.27 before the close. Page 38

● UK's official foreign currecny ad gold reserves fell by $146m last month to $28.07bn. Page 8

● BUILDING SOCIETY receipts fell to an estimated £200m in April—the lowest level for almost a year—compared with £269m in March. Back Page; new savings schemes, Page 7

● BP executive said more than 75 new oil fields — about five times the number *in production*—could be developed in UK waters over the next 20 years. Back Page

● WEST GERMAN small and medium-sized companies are to be offered subsidised loans at an effective fixed interest rate *of 9.5 per cent as part of the* Government's DM 6.3bn (£1.3bn) programme to stimulate industrial investment.

● PRIME MINISTER said *arrangements had been made to* help traders hit by delays in VAT repayments caused by *industrial action in the* Civil Service. Parliament, Page 12

● TUBE INVESTMENTS, engineering group, is to acquire the whole of the share capital *of* King Fifth Wheel, U.S. aircraft engine components manufacturer, for $54.1m (£25.61m). Page 28

● MOTHERCARE, children's *wear retailer, reported reduced* taxable profits of £18.07m in the year to March 27, 1981, compared with a record £22.28m previously. Page 25 and Lex, Back Page

● TOOTAL, thread and textile manufacturer, reported a drop in pre-tax profits from £14.64m to £7.25m for the year to January 31, 1981. Sales were down from £390.44m to £377.09m. Page 24 and Lex.

Prime Minister firm on refusing political status for prisoners

BY RICHARD EVANS IN LONDON AND STEWART DALBY AND WALTER ELLIS IN BELFAST

THE PRIME MINISTER emphasised yesterday that an escalation of the IRA hunger strike campaign following the death of Mr. Bobby Sands early yesterday morning, after 66 days without food, would not affect the Government's determination to refuse the granting of political status to terrorist prisoners.

There was *support* in the Commons from the vast majority of MPs of all parties *for Mrs. Thatcher's stance* against the demands of Mr. Sands and other hunger strikers.

Street reaction in Belfast and Londonderry to the death *of Mr. Sands* was muted despite sporadic violence in Roman Catholic areas throughout much of the morning.

In Dublin, Mr. Charles Haughey, the Irish Prime Minister, said greater flexibility by the British Government on the issue of prison reform might have averted Mr. Sands' death. The crisis was disclosed by the Irish Cabinet, and the Government has ordered steps to be taken to contain any outbreaks of violence in the Republic.

In the Commons, Question Time gave Mr. Michael Foot, *the Opposition Leader*, and a wide cross section of MPs the opportunity publicly to close ranks behind the Prime Minister in her refusal to grant further concessions to H Block prisoners. Only Mr. Pat Duffy, Labour MP for Attercliffe, broke the consensus with a stinging attack on Mrs. Thatcher's "intransigence."

Ministers are preparing to meet any violent reaction from the IRA to Mr. Sands's death with increased security precautions throughout Britain and Northern Ireland.

It was conceded privately, however, that the IRA had probably succeeded in some of its propaganda objectives by presenting Mr. Sands as a martyr to British stubbornness and intransigence.

Northern Ireland after Sands's death, Page 22
Editorial comment, Page 22
Thatcher supported over prisoners' status, Page 12

What remains unclear is the impact Mr. Sands's death will have on progress towards a political settlement in the province. The assumption at Westminster was that it must make further discussions between Northern Ireland leaders even more remote and it could arrest progress in the Committees set *up jointly by London and* Dublin.

The Government is in no *hurry to call another by-election* fololwing the death of Mr. Sands, elected last month as MP for Fermanagh and South Tyrone. The chances are that the seat will remain vacant until the autumn.

Meanwhile, ministers will consider whether to introduce legislation banning prisoners from standing for Parliamentary or local government seats.

The announcement in the Commons, by Mr. George Thomas, the Speaker, of the death of Mr. Sands was received in silence by the handful of MPs present.

Later—with the public support of Mr. Foot—the Prime Minister argued that to grant political status to the IRA would be "to give a licence to kill."

Mrs. Thatcher said the Government would never grant political status to prisoners "no matter how many hunger *strikers there may be.*" Mr. Foot said that if political status was granted it would greatly *encourage people to join terrorist* organisations.

In Northern Ireland petrol *bombing, burnings, and stoning* in Catholic districts of Belfast and Londonderry were early *demonstrations of Nationalist* reaction. But, despite fears that such incidents would recur, or even intensify last night, it seemed likely that the violence could be contained by the security forces.

Black flags were flown from many private homes, throughout Republican areas, and people gathered on the streets. Most of the barricades and burnt-out vehicles which had been placed across roads affected by riots were removed by the security

Continued on Back Page

Fear of U.S. arms flow to Northern Ireland

BY OUR FOREIGN STAFF

BRITISH and Irish officials in Washington fear that emotional outburst following the death of Mr. Bobby Sands will be followed by an increase in flow of guns and money from the U.S. *to hard-line Republicans* in Northern Ireland.

Protests at the MPs death were made in the *U.S.* and across Europe yesterday.

The overwhelming reaction from mainstream Irish-American opinion, however, tended to support Britain's stance against terrorism while sharply criticising its "inflexibity" over what *are vew in the U.S. as details.*

Irish Republic groups in the U.S. called for a national boycott of British *Airways*, and some East Coast branches of the 75,000-straong dock workers' union called for a 24-hour ban on handling British ships and cargoes.

Last night the union's national leaders agreed to sanction a ban last ing from 7 am on Thursday until 7 am on Friday.

Protests are also expected in the European Parliament on *Thursday.*

Following the Assembly's rejection of calls for a debate on Sands, Mme Simone Weil, the Parliament's President *surprised European MPs when* she decided that the issue would be discussed on Thursday.

Yesterday the European Commission on Human Rights said it had decided not to examine the Sands case before Mr. Sands died. The Irish Prime Minister had asked it to intervene on Monday.

Elsewhere in the world the flood of protests was tempered by appeals that Mr. Sands' *death would not lead to further* violence in Northern Ireland, and that other prisoners refusing food would end their fasts.

In Oslo the Queen was jeered by a small group of demonstrators as she arrived on a State visit.

A Dunlop tyre warehouse in Toulouse was extensively damaged by a bomb left by protesters who daubed "English power kills" on the building's walls. In Zurich a fire bomb was tossed into a showroom displaying British cars.

Security was tightened at *British Government offices in* various countries, and extra protection was expected to remain *in force* until at least after the Sands funeral on Thursday.

In Washington, the State Department issued a statement *expressing President Ronald* Reagan's deep concern, regretting Mr. Sands' death and saying: "*We hope that the hunger* strike by three other inmates at the Maze Prison will not end in similar tragic fashion."

Demonstrations were held yesterday or planned for later this week outside British consulates in the U.S.

Governor Hugh Carey of New York State struck the sharpest note of criticism among Irish sympathisers, complaining of British "intransigence."

Metro group wins Iraq contract

BY PAUL CHEESERIGHT

BRITISH consultants are to design and supervise the construction of an underground public transport system for Baghdad under the terms of a $129m (£61m) contract awarded by the Iraqi Government.

The design contract is *thought to be the largest ever* awarded in Iraq and is one of the biggest consultancy orders won by British companies in the Middle East.

The consultants are formed into the British Metro Consultants Group, described yester*day by the official Iraqi News* Agency as a group of international companies specialised in building metros.

Their contract demands the introduction of 20 miles of lines within nine years in one of the first projects of its kind in the Middle East.

The companies in the consortium are W. S. Atkins and Partners, Design Research Unit, *Freeman Fox, Sir William* Halcrow and Partners, Halcrow Fox and Associates, Charles Haswell and Partners, *Henderson* Busby Partnership, Kennedy and Donkin, Merz McLellan and Rendel Palmer and Tritton.

Transmark, the British Rail subsidiary, and London Transport International are associated with British Metro Consultants on the project.

Consultancy contracts of this type are highly valued as a means of opening the way towards construction and equipment orders for companies of the same nationality.

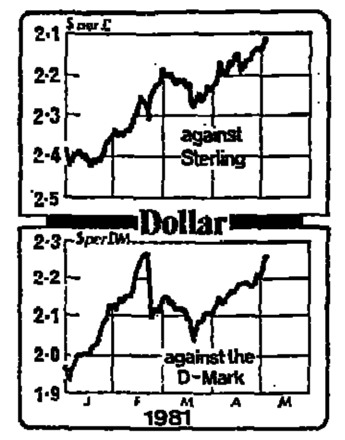
The biggest civil engineering contracts in Iraq have so far eluded British groups and it is thought the best opportunities for British groups lie in equip*ment sales.*

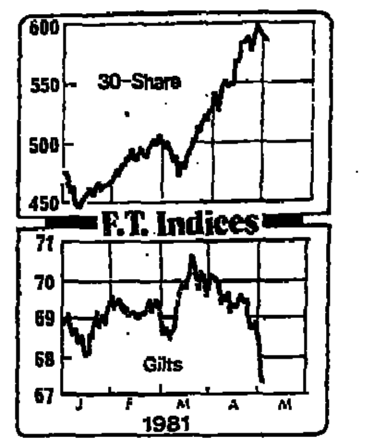
No price tag has been placed on the Baghdad project, for which only the first stage is under consideration, but it is unlikely to be less than $1bn (£467m).

BL and British Rail in railbus link, Page 8

$ rises sharply and bond prices fall

By Peter Riddell, Economics Correspondent





THE DOLLAR continued to rise sharply in Europe yesterday against other currencies and bond prices were marked down substantially as international financial markets adjusted to the large increase in U.S. interest rates.

In the foreign exchange markets, the heavy *buying of* the dollar which started late on Monday continued in Europe. *Central banks* were forced to intervene, with the West German Bundesbank active both at the fixing and in the open market. This action was sufficient to steady rates in Europe by the late morning.

The widening gap between U.S. and most European interest rates also caused confusion in bond markets.

The main movements were:

● The dollar rose to DM 2.2655, its highest level for more than 3½ years, after a high of DM 2.2720, in New York on Monday, and DM 2.2055 in London on Friday. The U.S. currency rose to a 10-year high of FFr 5.4070 against the French franc. The dollars trade-weighted index, measuring its average value as calculated by the Bank of England, rose to 105.2

● Sterling fell sharply against the dollar—down *3.10* cents compared with Friday to $2.1130, its lowest level for 18 months. This was *slightly up on the New* York close on Monday. The pound strengthened against *the* main *Continental* currencies.

● The French franc was particularly weak yesterday, not only on interest rate grounds but also because of uncertainty ahead of next Sunday's elections. The franc weakened within the European Monetary System and fell to a record low against the D-Mark.

The Bank of France acted to push up French interest rates by increasing its Treasury bill rate from 12.5 to 13.5 per cent.

● In the London stock market, fears that the higher U.S. interest rates might delay any cut in Minimum Lending Rate led to sharp falls in the prices of both equities and gilt-edged sticks. The FT Industrial Ordinary share index dropped by 16.6 points at one stage before closing 15 points down at 576.9, compared with its *closing* peak *of* 597.3 *on* Thursday. Falls in gilts were as much as £2¼ and the FT *Government Securities index* dripped to its lowest level since June.

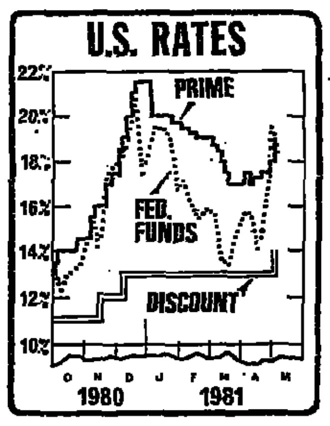
● *In the Euromarkets, prices* of fixed interest dollar bonds fell by an average of three *points. Six-month Eurodollar* interest rates rose by 2¼ points to 20¼ per cent and there were smaller *rises in* European rates. The six month Euro D-Mark rate rose ¼ of a point to 12Z per cent.

Bundesbank battle to slow D-Mark slide, Page 3
Reagan's economic thinking, Page 23

Higher U.S. discount rate puts damper on stocks and bonds

BY IAN HARGREAVES IN NEW YORK AND JUREK MARTIN IN WASHINGTON

WALL STREET sank into a renewed bout of depression yesterday in the aftermath of the Federal Reserve's decision late on Monday to raise the discount rate from 13 to 14 per cent and the surcharge on frequent big borrowers from 3 to 4 percentage points.



Bond prices skidded, selling *continued on the stock market* and short-term interest rates in the credit markets soared, ensuring that the prime lending rate will be increased again shortly from the 19 per cent level set by most large banks on Monday.

Three-month certificates of deposit, an important indicator of banks' cost of funds, were *trading at 19 per cent* in New York by early afternoon yesterday, suggesting that there is *scope for the prime rate to* move to 21 per cent if these pressures are maintained. *Citibank, however,* which reviews its prime rate on Tuesdays, announced that it would remain at 19 per cent.

The consensus on Wall Street yesterday was that the Federal Reserve has now officially dug in its heels in support of a further period of very tight credit, aimed at achieving the slow deceleration in monetary growth, which has escaped the central bank ever since Mr. Paul Volcker, its chairman, outlined his approach to helping *curb inflation in October 1979* mainly by tightening monetary policy and allowing interest rates to float more freely.

That means that even higher interest rates will be underpinned at least for the next few weeks, unless there is either a sharp drop in money supply or some positive sign that the economy *is* weakening under the burden of high interest rates.

The Reagan Administration's most vocal critic of the Federal Reserve yesterday strongly endorsed the central bank's increase in the discount rate.

*Mr. Beryl Sprinkel, the Under-*Secretary of the U.S. Treasury for monetary affairs, said: "*We're pleased too that the* Federal Reserve means business controlling the money supply. If it leads to short-run problems it's well worth the price we are paying."

Just 24 hours before, Mr. Sprinkel had acknowledged that the Administration was concerned that higher interest rates could impair the fragile health

Continued on Back Page

£ in New York

	May 4	Previous
Spot	$2.1100-2.1135	$2.1440-1460
1 month	1.06-1.12 pm	0.91-0.96 pm
3 months	3.12-3.20 pm	2.68-2.75 pm
12 months	9.10-9.40 pm	7.90-8.10 pm

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Channel Tunnel	165	+ 7
Cmcl. Bk. Australia	245	+ 15
Dares Estates	26½	+ 4
Pearson (S.)	235	+ 7
Ransomes Sims	195	+ 9
Savoy Hotel A	193	+ 5
Sheffield Brick	40	+ 6
Stewart Nairn	9½	+ 2
Tootal	35½	+ 3
Victor Products	175	+ 20
Warrington (T.)	75	+ 9
Whatman Reeve Al.	123	+ 15
Cent. Pacific Mnrls.	145	+ 10
Metramar	38	+ 4
Spargos Exploration	34	+ 6
FALLS		
Treas. 11½pc 1985 (£15 pd.)	£13	− 1⅛
Treas. 15¼pc 1996	£104½	− 3½
Swansea 13½pc 2006 (£25 pd.)	£23½	− 2⅛
BPB	281	− 9
BTR	470	− 16
Bass	241	− 10
Bowater	263	− 9
British Aerospace	217	− 11
Brown (J.)	93½	− 5
Distillers	221	− 7
General Accident	344	− 10
GKN	178	− 8
ICI	312	− 10
Intervision	49	− 6
MEPC	232	− 7
NSS Newsagents	184	− 6
Northern Eng.	79	− 5½
Plessey	301	− 8
Reed Intnl.	270	− 12
Royal Bk. Scotland	165	− 7
Trusthouse Forte	164	− 6
Tube Invests.	212	− 10
Unilever	528	− 18
AMAX	£22½	− 3½
RTZ	525	− 5

CONTENTS

For latest Share Index phone 01-246 8026

David White in Paris examines the Socialist Party's proposals for state take-overs

Mitterrand's progress renews nationalisation jitters

M JEAN MAXIME Lévêque has seen the writing on the wall. If M Francois Miterrand wins this Sunday's presidential election, the bank of which M Lévêque is chairman Credit Commercial de France, with branches all over the country, a lucrative international network, 400,000 clients and 50,000 French and foreign shareholders, faces the prospect not only of being nationalised but, he says, of disappearing.

M Lévêque expects that the 87-year-old bank would be merged into an even larger unit under the Socialists' far-reaching programme, which involves full nationalisation of the remaining private banks and insurance companies, the steel industry and nine manufacturing groups, and partial nationalisation of several others.

M Lévêque, a former adviser to Gen de Gaulle, has been waging almost a one-man campaign to warn France off a project he describes as Marxist, anachronistic and "an irreparable error." While he has taken full-page newspaper advertisements, other top businessmen have stayed out of the political arena, awaiting Sunday's result and, if M. Mitterrand wins, the election of a new parliament.

It is a sharp contrast to the long, fierce debate that preceded ceded the 1978 parliamentary election, when a Left-wing victory seemed imminent and when the extent of the nationalisation was one of the principal points over which the Left quarrelled and eventually, suicidally split up.

People who spoke out against the programme then, such as M Philippe Thomas, chairman of Pechiney Ugine Kuhlmann, are now being remarkably discreet. The business world has all along been banking on President Giscard's re-election. But M Mitterrand's strong first-round score set the cat among the pigeons, and the stock market has begun to worry seriously again about nationalisation.

Apart from Portugal in 1974, France would be the first industrialised Western country to take complete state control of credit. "It is not a banking act," says M Lévêque, pointing to recent events in Iran and Afghanistan. "It is a revolution."

Nationalisation would involve the takeover of industrial concerns whose combined turnover amounted to some $50bn last year, and would affect upwards of 1m employees. The programme would bring the first outright nationalisations since the immediate post-war period. At that time the state bought up the main deposit banks, the electricity and gas suppliers and, in retribution for wartime collaboration, took over the Renault motor works.

In 1936, a Left-wing government had taken majority control of the railways and founded a state oil company, ancestor of today's Elf-Aquitaine group.

The Socialists' current proposals are essentially the same as those contained in the 1972 Common Programme of the Left. This is despite the extensive changes that have since taken place in France's industrial structures.

The list includes two subsidiaries of foreign groups, the Roussel-Uclaf pharmaceuticals company, controlled by Hoechst of West Germany, and ITT-France, which since the reorganisation of the telephone sector is no longer a top concern; Cii Honeywell Bull, 47 per cent U.S.-owned; Dassault, makers of the Mirage jet, in which the Government has already taken a shareholding; Rhône-Poulenc, the troubled chemical and textile group; four other big conglomerates, Pechiney, Saint-Gobain, Thomson-Brandt and CGE; and steel companies Usinor and Sacilor, already, to all intents and purposes, run by the State.

M. Lévêque: Almost a one-man campaign

The Socialists also plan to raise the State's holding in France's two oil companies, give local authorities control of private water utilities, take a stake in Peugeot and nationalise the aerospace, arms and nuclear activities that rely on State funds. This would involve most of Matra and part of Creusot-Loire.

M. Mitterrand's brother, Air Vice-Marshal Jacques Mitterrand is head of the State-owned Aérospatiale, and the Socialist leader has recruited M. Pierre Dreyfus, for 20 years head of Renault, as a campaign lieutenant. M. Mitterrand says he is committed to going ahead with the whole programme "no more no less."

The banks and insurance companies, in which the present Government has started to reduce its shareholdings, would be taken over in toto, excluding co-operative and foreign concerns but including the powerful holding companies such as Suez, Paribas and Banque Rothschild, in a bid to co-ordinate the financial sector with the country's planning effort.

In industry, nationalisation is seen "not so much as a dogma but as a piloting instrument," according to M. Michel Charzat, Socialist Party secretary in charge of public sector policy. The groups would be restructured to form coherent units, with one or two in each branch, and would be given management autonomy.

In some respects, the party's plans go in the same direction as restructuring measures that are already taking place under the present Government.

M. Charzat rejects the comparison with past nationalisation in the UK. "We want to nationalise what works well . . . not lame ducks." The party would have to await parliamentary elections, brought forward from 1983, before tabling framework legislation. Details would then have to be worked out before nationalisation.

But the problem does not end there. Negotiations over the extent of the measures and the number of subsidiaries involved are bound to be tough. The Socialists would bring to the table a set of proposals based on the compromise they reached with the Communists nine years ago. The Communists, who are still the most likely partners of the Socialists in government, want to go further and bring in Michelin, the whole of Peugeot, the cement companies, the BSN food group and Hachette, the big publishing combine recently taken over by Matra.

Within the Socialist Party, too, past differences would be bound to re-surface between the Left-wing faction, to which M. Charzat belongs, and those who favour something less drastic or ambitious.

Norwegians give warning about Statfjord gas output

BY FAY GJESTER IN OSLO

SUPPLIES FROM Norway's part of the Anglo-Norwegian Statfjord oil and gas field, in the North Sea, may be cut back from the end of 1992, only seven years after production for sale is due to start, so as to maintain enough reservoir pressure for optimum oil recovery.

A warning to this effect is included in recent Norwegian Government proposals for a pipeline to take the gas from Statfjord, via Norway and Ekofisk, to the continent.

Until now, most people in the industry expected plateau production from the field of about 4bn cubic metres of gas a year, to continue for 12 to 15 years. This assumption was shared by British Gas Corporation officials who had hoped to buy the Norwegian gas for shipment to Britain through a proposed British sector pipeline. Their hopes were dimmed last month when the Norwegian pipeline proposal was tabled but the scheme still has to be approved by the Norwegian Parliament.

The disclosure that gas supplies from Statfjord may not last as long as expected would appear to weaken the whole case for a Norwegian gas gathering line, unless other Norwegian gas fields can be brought on stream soon.

It could, moveover, fuel the debate, currently simmering in Norway, between those who want to bring additional oil fields on stream quickly, because oil field development provides work for Norwegian fabricators, and those who want to develop gas fields first, because, they say, this is a more rational way of harnessing the country's hydrocarbon resources.

The Oil Directorate, which is the Oil Ministry's advisory arm, has campaigned for the gas first strategy. It is also the author of the warning about the uncertainy of Statfjord's gas supplies.

Meanwhile, a strike by production workers on Norwegian oil and gas fields, due to start at midnight on Monday, was averted at the last moment when employers and unions agreed to suspend negotiations for a fortnight.

The unions wanted time to consider a pay offer made a few hours before the strike deadline

Turkey tries to head off EEC hostility

By John Wyles in Brussels

TURKEY'S military Government appears to be preparing a diplomatic offensive in Brussels aimed at heading off growing hostility in several member states of the European Community.

General Kenan Evren's regime has recently come under fire in the European Parliament, which passed a condemnatory resolution last month calling for the restoration of democracy within two months. The Council of Europe Assembly is to vote next Monday on whether to expel the Turkish delegation of 12.

Denmark has been pressing other EEC Governments to remind Ankara of the need for positive progress towards democracy when the Community completes a new financial protocol for Turkey due to operate from the end of October.

Meanwhile, the Evren Government has begun emphasising the need to prepare the country for EEC membership once civilian rule is restored. It has asked for an ambassadorial level meeting of the EEC-Turkey Association Council to discuss an agenda related to preparing Turkey for full EEC membership.

Italy's unions seek common front on wage indexation

BY RUPERT CORNWELL IN ROME

ITALY'S three major trade unions began a crucial round of talks last night, which will decide whether the labour movement can forge a common stand on the economic issue of the hour—reform of the scala mobile system of wage indexation.

Only if the three unions—the CGIL, the CISL and the UIL—can settle their differences is there the slightest prospect of agreement with the Government and industry on how to partially freeze the mechanism and thus help reduce labour costs.

The potency of the scala mobile was underlined yesterday with the announcement of a record three-monthly upward adjustment to cover the increase in retail prices in February, March and April. This will add a gross L33,500 (£14) to every employee's pay packet at the end of May, and an extra L3,000bn (£1.3bn) to the 1981 wage bill of Italian industry.

Even so, thanks to fiscal drag and the steep increase in nominal pay over the past few years, the mechanism offers far less than complete protection from inflation, currently running at around 20 per cent.

Only those paid up to L450,000 a month are 100 per cent covered. Average protection is now only about 70 per cent, while a higher paid employee, earning a gross L1.4m a month, only wins back 45 per cent of lost purchasing power.

The scala mobile has nevertheless assumed enormous symbolic importance, not only within Italy, where its reform is the key to prospects for the mooted Phase Three economic package to follow up the March devaluation of the Lira and April's measures which theoretically lopped L5,000bn off the projected 1981 public sector borrowing requirement.

Observers of the economy, like the International Monetary Fund and the European Community, as well as the Italian central bank, have long regarded reform of the scala mobile as a test of the country's capacity to tackle its deep-seated problems.

At union level, the main obstacle remains the difference of opinion between the Communist-dominated CGIL, Italy's largest union and the smaller CISL and UIL, both linked to parties in the coalition Government.

While the CGIL (itself divided) is basically hostile to any tinkering with the mechanism without prior compensatory measures from the Government, the other two are more flexible although they too believe that something must be offered in return for concessions.

The union leaders are largely prisoners of their rank-and-file. However much they recognise that something must be done to cut back labour costs and make Italian goods more competitive abroad, the mood on the shopfloor is different.

Poland's party reformers in mood of despondency

BY CHRISTOPHER BOBINSKI IN WARSAW

FAILURE BY a meeting of Poland's Communist Party central committee last week to dismiss hardliners from the leadership has led to a mood of despondency in the movement working for reform inside the party.

There are fears that the reform movement may not retain sufficient momentum in the election of delegates to the party congress next July to present a serious challenge to the party establishment.

Party members in Gdansk, who will be hosts in June to the next national meeting of the reform movement, have asked the central party authorities for help in organising the conference. The first meeting of this kind in Torun last month evoked Moscow's displeasure and brought dire warnings in the East European Press that "revisionist" elements were at work inside the Polish party.

Representatives of the reform movement are to be invited to the Gdansk meeting with delegates from 204 large industrial plants and members of commissions which have been working on a party political programme in each of the 49 provinces.

The invitation to the central party authorities was issued on Monday as a conciliatory gesture designed to show that the movement is not aiming at setting up a faction inside the party. But the June meeting will go ahead whether the central party authorities agree to take part or not.

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Bundesbank battles to slow D-Mark's slide against dollar

BY STEWART FLEMING IN FRANKFURT

THE BUNDESBANK, West Germany's central bank, yesterday waded into the foreign exchange markets again, selling dollars to slow the renewed slide in the value of the D-Mark against the U.S. currency.

The intervention follows the U.S. Federal Reserve Board's decision on Monday to raise its discount rate to 14 per cent. *The Fed seems to be turning* the international interest rate screws another notch tighter, only a few weeks after political and economic leaders were anxiously discussing the practicality of a multialteral and *co-ordinated lowering of niternational interest rates.*

The juxtaposition of more depressing unemployment figures, announced yesterday, with a slump in the D-Mark to DM 2.27 against the dollar, *further underlined the policy* dilemma facing the German central bank.

The last time the D-Mark *was* at this level—the three-year low of DM 2.25 against the dollar in February—the German central bank moved aggressively to support the currency and pushed money market interest rates 3 percentage points higher to 12 per cent.

Against such a background it was no surprise that once again yesterday there was speculation in Frankfurt's increasingly gloomly financial markets about the prospects of further interest rate action by the Bundesbank to help the D-Mark.

So far, however, the Bundesbank's response to the weakening of the D-mark over past weeks has been muted. Even the sharp fall of this week has not resulted in any change in the way it has used its supposedly more flexible "special Lombard" rate. Instead the German central bank has been relying on traditional intervention in the foreign exchange markets, backed up with some moves to drain liquidity from *the domestic markets.*

Bankers attribute this response to a variety of factors. With an election coming in France, the important local election this weekend in Berlin and the sheer shock of yet another rise in U.S. interest rates — the prime rate has hit 19 per cent and Wall Street thinks it could be going higher —it is argued that a hasty *reaction is not the right one.*

Others suggest, however — and this is where the unemployment figures come in — that the limits are being reached of what is politically acceptable in terms of the toughness of *Bundesbank monetary policy.*

In recent weeks it has become clear that Chancellor Schmidt is far from happy with the extent to which the Bundesbank has so far pursued its policy of giving priority to the external *pressures* Germany faces at the expense, so it is argued, of risking a further weakening of the domestic economy.

To these arguments over domestic political and economic *pressures, bankers in Frankfurt* were adding others yesterday and suggesting that a knee-jerk reaction from the central bank to push German rates sharply higher may not occur or, if it does, will be muted.

As one banker remarked, to try to follow the U.S. might be futile for the dollar's strength is against most European currencies. "It's a dollar problem not a Mark problem," was how he put it.

Another suggested that to match the recent rise in U.S. rates German money market rates would have to rise to 16 or 17 per cent, and the Bundesbank would baulk at such a move.

Finally it is argued, albeit quietly, that the Bundesbank is not bent on defending a specific dollar-D-Mark exchange rate, and that a gradual decline in the Mark in the face of unpredictable U.S. interest rate developments is something it will have to tolerate.

But the new rise in U.S. rates *may add to the problem* Germany faces in financing its huge current account deficit.

Schmidt ready for worst in Paris and Berlin polls

BY JONATHAN CARR IN BONN

WILL MAY 10 be "black Sunday"—or will it bring the light at the end of the tunnel? Four days before key elections in France and West Berlin, Chancellor Helmut Schmidt and his Bonn coalition are cautiously hoping for the best — and mentally preparing for the worst.

For Herr Schmidt it would be bad enough to see President *Valery Giscard d'Estaing—his* personal friend and closest foreign ally—fail to gain a second term in the Sunday polling.

But an upset in Paris could be combined—on the very same day — with a serious domestic political blow to Herr Schmidt from West Berlin. The governing coalition there of Social Democrats (SPD) and Liberal Free Democrats (FDP) — the same parties which form the Bonn *Alliance—is looking* very shaky indeed.

Its collapse could spell the *removal of the SPD from the* Berlin government for the first time since the war. It would also mean a big setback to the career of Herr Hans-Jochen Vogel, the SPD governing Mayor of Berlin and the man so *far felt most* likely to become Chancellor if Herr Schmidt were to step down.

The end of the Berlin coalition would not of itself mean disaster for the SPD-FDP in Bonn, but it would be widely seen as a watershed. It is only six months since Herr Schmidt's government was returned with an increased majority for a further four-year term, but in that short span very little has gone *right for it.* Indeed, from the backbiting and pessimism in the SPD-FDP, combined with the calm satisfaction of an opposition which feels the government is tearing itself to pieces, it would be easy to mistake the election victors for the vanquished.

There have been three main reasons for this. The first is that the FDP, buoyed by an increase in its general election vote to 10.6 per cent from 7.9 per cent, greatly overplayed its hand in the coalition negotiations which followed. It was encouraged in its exagerations by persistent sniping from the Left-wing of the SPD, which finds it hard to reconcile itself to coalition with the *Liberals at all.* The upshot was that both sides emerged from the negotiations *in sullen mood,* and practical difficulties which would once have been dealt with in private now repeatedly emerge into public view.

Second, Herr Schmidt—generally (and somewhat exaggeratedly) seen as an "iron chancellor" during his first six years as government leader—seemed to have last his touch in the months after the election. It has since emerged that he was *seriously ill last year, refused* medical advice to take a lengthy rest—and emerged from the election campaign and the coalition negotiations mentally and physically exhausted. One foreign leader to have seen Herr Schmidt recently spoke of his as "fighting fit"—in contrast to his state a few months ago. But clearly the question remains *whether Herr Schmidt's health* will permit him to lead the coalition through the next three years and into the 1984 elections.

Chancellor Schmidt makes a point to West Berlin's mayor, Herr Vogel.

Finally, enough problems have presented themselves to daunt even the staunchest of partners under the strongest of leaders. At home, economic prospects this year are unfavourable —despite a growth in demand for German exports and the avoidance by a hair's breadth of a strike in the key metalwork*ing industry. The Government's* borrowing requirement will be markedly higher than expected —partly because of the growth of unemployment, partly because of a serious shortfall in funds for the armed forces.

Abroad, with the Polish crisis simmering and the "Ostpolitik" in danger, Bonn has been anxiously waiting to see which faction will prevail in Washington to guide U.S. foreign policy. The Germans are encouraged by U.S. readiness to continue talks *with the Soviet Union on the* problem of intermediate range nuclear missiles limitation before the end of this year.

But if for any reason these talks do not resume as expected, or appear to make little progress, then the SPD party Congress early next year might well come out again the NATO stand on the nuclear missiles issue. This in turn could be judged the moment for the FDP, led by Herr Hans Dietrich Genscher, the Foreign Minister, to decide *to switch partners—on the* grounds that the SPD had renounced unilaterally the stand jointly agreed on a key defence issue.

Christian Democrats threaten to end SPD's long reign over city

BY LESLIE COLITT IN BERLIN

WHEN DR. Hans-Jochen Vogel, heir apparent to the chancellorship in Bonn, was sent to West Berlin in January to serve as governing mayor he was seen *as a loyal trooper performing* a hopeless task for the Social Democratic Party. The SPD in West Berlin, the once proud party of former mayor Willy Brandt had become a political basket case which appears to be *unable to regenerate itself after* more than 30 years of rule.

The Christian Democrats, largely by default, have gained strength at every West Berlin election in the past 18 years and become the strongest party in the city assembly. However, the CDU was still unable to assume control of the city government having failed to win the necessary absolute majority.

The scandal-racked Social Democrats in Berlin clung to power solely with the aid of the Free Democrats. This time it looked as if the CDU, under its urbane mayoral candidate Herr *Richard von Weizsäcker would* finally surmount the 50 per cent mark on its own in Sunday's election.

In the three months Dr. Vogel has served in Berlin, this prospect has grown less and less *certain. Apart from endearing* himself to the Prussians by working 16 hours a day, Dr. Vogel has tackled a greater number of urgent issues than any of his recent predecessors.

Prestige projects have been scrapped and city officials whose main qualification was regular payment of their SPD dues have been weeded out. Dr. Vogel has also begun negotiations with East Germany to integrate the decaying East German-run S-bahn urban rail network into West Berlin's transport system.

The mayor's personal popularity has soared to 44 per cent in a recent opinion poll, compared with 36 per cent for his rival, Herr von Weizsäcker. However the popularity of the Berlin SPD as a party has lagged well behind Dr Vogel personally at 33 per cent in *the polls while the CDU is at* 48.5 per cent. This is crucial as the Mayor of Berlin is not directly elected but is selected by the members of the city assembly elected on Sunday.

Despite the large number of undecided voters it would be an extraordinary feat if Dr Vogel were able to gain an absolute majority. At the same time, the Free Democrats, who got 8 per cent of the votes in the 1979 elections are not expected to capture more than 6 per cent this time. Over the past three months the FDP has been headed by Dr Guido Brunner, *the former European Commis*sioner for Energy who has failed to display a natural talent for local politics.

A drain on the SPD vote will be a motley collection of environmentalists and Marxists *in the Alternative List Party* who appeal to younger voters who previously voted SPD. West Berlin is a temporary home for tens of thousands of West Germans who have refused to climb the ladder of *success in West Germany* preferring to lead a more leisurely lifestyle in Berlin. After failing to get more than 5 per cent of the vote in the 1979 election, the Alternative List Party scored 10.5 per cent in the latest poll.

Herr Weizsäcker, most recently a vice president of the Bundestag, is making his second *try for Berlin's highest office* after achieving a respectable 44.4 per cent in the 1979 election compared with 42.7 per cent for the SPD. Both he and Dr Vogel have fought an incredibly polite campaign in *which both men have had to be* reminded by their campaign managers to take an occasional swing at each other.

The two men are non-Berliners which cynics say reflects the calibre of political *life in West Berlin.* Herr Weizsäcker is from south-west Germany while Dr Vogel is a Bavarian who was Mayor of Munich before serving as federal housing minister and until January, minister of justice.

Herr Weizsäcker is not the only one wondering if, he cannot gain an absolute majority *on Sunday, he can lure the Free* Democrats into joining him in a coalition.

The Berlin FDP has been torn in both political directions simultaneously. Its Right-wing politicians have indicated they would be prepared to form a coalition with the CDU while the Berlin FDP's chairman, Herr Jürgen Kunze, has ruled there can be "no question" of an alliance with the CDU. The issue is a loaded one as the *survival of the Bonn coalition* would be thrown into serious doubt if the FDP in Berlin lurched to the Right to join forces with the Christian Democrats.

Davignon to press Bonn for steel quota accord

BY JOHN WYLES IN BRUSSELS

VISCOUNT Etienne Davignon, the *European Commissioner* responsible for industry, will meet leaders of the West German Government and steel industry in Bonn tomorrow in a bid to secure a final push for agreement on a voluntary system of *production quotas* among European steel companies.

After two months of broadly successful negotiations among themselves, the European Community's 15 largest steel companies have stumbled on the consistent refusal of West Germany's Kloeckner Werke to *agree on its quota.*

Kloeckner's stand is threatening to unravel the emerging agreement as other German *companies* would find it difficult to comply with quotas if Kloeckner were outside the system.

Tomorrow's meeting is thus bound to focus on the Kloeckner problem, particularly as Vis*count Davignon and* all EEC Governments would like to be reasonably confident of an agreement when EEC Steel Ministers meet in Brussels next Tuesday to discuss the industry's future.

Without a voluntary agreement, the Ten may be left with little option but to extend the compulsory quota system which the Commission has been operating since last October.

Sweden in grip of strike

By William Dullforce in Stockholm

SWEDEN'S Government crisis was compounded yesterday by *a strike of white-collar employees* which may become as broad a dispute as the general strike and lock-out which paralysed industry for ten days last year.

About 17,000 office workers *went on strike at five key* industrial concerns — Volvo, Saab-Scania, L. M. Ericsson, Atlas Copco and Boliden—at 11 am. At the same time, engineers and ship's officers halted movement of Swedish *merchant ships in North Europe.*

Their action was calculated to keep 150 ships in harbour within a week, and to cover all 275 Swedish vessels engaged in North European routes if the strike continued for three *weeks.*

The strike was ordered by PTK, the negotiating body for 400,000 white-collar employees in the private sector. They claimed that a final pay offer from arbitrators was less favourable than the agreement obtained by the blue-collar unions in February.

Prime Minister Thörbjorn Fälldin referred to the white-collar workers' strike as a reason for him to continue in office, although his three-party coalition had been broken by the resignation of all eight Moderate (Conservative) Ministers *on Monday.*

Kosovo riots may cause party changes

By Aleksandr Lebl in Belgrade

AN inquest into the causes of rioting in the Albanian-speaking Yugoslav province of Kosovo *last month is under way.*

The province's Communist Party leadership, headed by Mr. Mahmud Bakalli who is one of two representatives from Kosovo on the 23-man federal collective party praesidium, came in for strong criticism at a meeting of the provincial party yesterday.

Mr. Ali Shukrija, a leading *member of the provincial party* praesidium, blamed the party leadership as a whole for lack of vigilance and for not paying enough attention to signs of growing nationalist agitation in the province, which is formally part of Serbia but is ethnically closer to Albania.

Mr. Shukrija called for the *local party leadership to* be critical and self-critical, a demand exepected to lead to the resignation of Mr. Bakalli and other local leaders.

Violent incidents continue in Kosovo, where emergency *measures remain in force* despite the lifting of the curfew imposed after the riots in which nine people were killed and dozens injured.

Iran plans to double its oil exports

By Patrick Cockburn

IRAN plans to double its oil exports to 2.5m barrels a day, the speaker of the Iranian parliament, Mr. Hojatolselam Hashemi Rafsanjani, confirmed in Tehran yesterday.

He added, though, that it was uncertain that Iran can achieve this target while the war with Iraq continues. Increased exports are needed to balance the $44bn (£20.5bn) budget.

Iranian exports are currently put at 1.3m b/d and an increase in this will further depress the world oil market. Iraq has increased its exports through Turkey and Syria to 1m b/d.

Both Baghdad and Tehran are suffering from a substantial reduction in oil revenues and increased expenditure as a result of the war. Iraq has negotiated long-term interest-free loans with other Arab oil states, but Iran faces a $17bn budget deficit this year.

The main Iranian oil loading terminal at Kharg Island can take two Very Large Crude Carriers (VLCCs) at a time, according to oil industry officials, though bad weather can cause difficulties. Iraqi air attacks on Kharg have been intermittent and largely ineffectual, and Japanese Government officials say that they are satisfied that the island's air defence system is effective.

Since the release of the U.S. hostages in January, BP, Shell and the Japanese have resumed purchasing Iranian crude, but U.S. oil companies are still chary of doing business in Iran because of public opinion repercussions.

● Kuwait must apologise to Iran before the American-owned survey vessel, the Western Sea, seized by the Iranian Navy in disputed waters between Iran and Kuwait last week, will be released, an official in Tehran has said. Kuwait says that the ship was seized in Kuwaiti territorial waters.

● Iran cancelled the planned first meeting yesterday of U.S. and Iranian arbitrators to set up a tribunal on claims resulting from the hostage crisis, the U.S. Embassy said, AP adds from The Hague.

David Lennon reports from Tel Aviv on how invective is helping Israel's leader's election chances

Born again Begin makes a forceful comeback

RISING LIKE a phoenix from the ashes of four disappointing years in government Mr. Manahem Begin is suddenly back on his old form, lashing out against the leaders of Germany and France while threatening war against Syria and vigorously challenging Washington's planned arms sales to Saudi Arabia.

Gone is the listless and weary prime minister who seemed resigned to losing power in the June elections. Apparently buoyed by reports of an upsurge in his Party's popularity, Mr. Begin is now exuding dash and bravado, spraying his opponents at home and abroad with vitriolic scorn and abuse.

On the same day that he denounced the German and French leaders as "greedy hypocrites" Mr. Begin told his wildy cheering supporters at Herut Party headquarters that he now feels "strong and healthy," and has decided not to retire as planned in the summer of 1983 when he reaches the age of 70.

If three months ago it looked as if his party was doomed to a massive drubbing at the polls, public opinion now seems to be swinging back towards the Government. This trend can only be reinforced by the recent performance of the born again Begin.

While Mr. Begin mesmerises the public with his demagogic mixture of rhetorical extravagance and partisan vitriol, the opposition Labour Party leader, Mr. Shimon Peres has failed to make a single effective election speech. Indeed, he seems to have switched roles with the Premier, appearing as the almost paralysed leader of a strife-torn party where the infighting takes precedence over the electoral challenge.

This is being reflected in the public opinion polls as well which show the Likud block steadily gaining ground while Labour's earlier huge lead is being whittled away. Some polls commissioned privately by the Labour Party actually show the two parties neck and neck.

The voters responded happily to the blatant election economics of Mr. Yoram Aridor, the new Finance Minister. His tactic of cutting prices in the last three months has been welcomed by a public battered by the world's highest inflation rate. They do not care if this ignores the basic ills of the economy. They simply enjoy the benefits of the policy, knowing that whichever party wins the June 30 elections will have to impose tough new measures.

Now they are also relishing the re-emergence of Mr. Begin as the ebullient scourge of the oil-blinded Europeans, and a firm challenger of Syrian attempts to change the status quo in Lebanon.

In his handling of the Lebanese missile crisis, Mr. Begin has been able to display both toughness and statesmanship. He has insisted that Israel will not permit the Syrians to keep the missiles in Lebanon under any circumstances and that Israel will act to destroy them if necessary. At the same time he has graciously responded to appeals from Washington to give it more time to try diplomatic persuasion to resolve the issue.

The idea of the Americans pleading with Israel not to use its powerful army against Syria is heady stuff for the voters. Coming on top of the Cabinet's decision to oppose forcefully Washington's proposed sale of AWACs surveillance aircraft to Saudi Arabia it shows the Government as the strong defender of Israel's interests.

No less popular was Mr. Begin's unprecedented attack on the West German Chancellor, Herr Helmut Schmidt. While some people may have winced at the vicious personal attack on the German leader, most Israelis approved the sharp criticism of what is seen here as German pandering to the Arab oil producers.

Israelis share Mr. Begin's belief that the Germans have a moral obligation towards Israel and the Jewish people because of the Nazi extermination of European Jewry. So when the German leader talks about European obligations towards the Palestinians, bile rises in the gorge of the Israelis.

The fact that rather than restrict himself to a diplomatically phrased rejection of these remarks Mr. Begin accused Herr Schmidt of being a Nazi sympathiser who aided in the murder of Jews and whose Arab policy is motivated by "unbridled greed and avarice" further strengthened the Premier's standing in Israeli eyes.

In the past few years the sudden changes in Mr. Begin's mood, swinging from lassitude to euphoria, have been ascribed by many here to the medication which he has been taking for the heart ailment which hospitalised him a number of times. It is not clear if this is the reason for his return to the fiery and abrasive rhetoric which was his stock in trade for a quarter of a century as leader of the opposition in the Knesset.

It is possible that his adrenalin has been set flowing by the external challenges of the hour and the domestic prospect of winning enough seats in Parliament to serve a further term as Premier. If he can maintain the tempo of recent days and his health holds out Mr. Begin may be able to pull off an electoral surprise almost as big as when he won power in 1977.

Previous meeting: Mr. Philip Habib, U.S. Special Envoy to the Middle East (left) and Mr. Menahem Begin, the Israeli Prime Minister.

U.S. and Russia send in crisis envoys

PRESIDENT Ronald Reagan is sending a former under secretary of state, Mr. Philip Habib, to the Middle East to try to reduce tensions building there, a White House spokesman said yesterday, our foreign staff writes.

In Damascus, the Syrian capital, it was announced that the Soviet First Deputy Foreign Minister, Mr. Georgy Kornienko, deputy to Mr. Andre Gromyko, was due in the city for talks today.

A White House spokesman said Mr. Habib would consult with the leaders of Lebanon, Syria and Israel on his mission, which is likely to begin later this week.

But Mr. Begin, the Israeli Prime Minister, said yesterday that "only a miracle" would bring about a diplomatic solution to the Lebanese missile crisis, though Israel is prepared to allow more time for the U.S. diplomatic efforts.

Israel has agreed to hold off its threatened attack on the Syrian missile batteries in Lebanon while Mr. Habib, tries to mediate the dispute.

Israel does not hold out much hope for the success of the U.S. envoy, especially in the light of strong Syrian statements that it will not withdraw the missiles. Mr. Begin said yesterday that Syria has now moved Sam-3 missiles into the Bekaa valley alongside the Sam-6s and Sam-2s moved in earlier.

Mr. Begin said that according to the Jewish tradition one should not rely on miracles.

Zimbabwe refuses to repay war bonds

Mr. Enos Nkala, Zimbabwe's Finance Minister, said yesterday his Ministry will not repay the Z$29m (£20.5m) in bonds raised by the previous white minority Government to fight the war against the guerrillas now in power, AP reports from Salisbury.

Mr. Nkala told the pro-Government Daily Herald that the money, compulsorily deducted from the wages of some 80,000, mostly white taxpayers in 1978 would be converted into taxes to help finance the Administration.

The minister was commenting on a weekend report that the so-called national defence levy would be repaid, with interest, to taxpayers from the time of maturity in September this year. The report quoted a senior official in the Tax Department.

The minister said he had discussed the defence levy with the Prime Minister and it had been decided "the present Government will not meet any war debt incurred by an illegal regime conducting an illegal war against the people of this country."

S. Africa union warning

The Federation of South African Trade Unions, the largest independent group of black trade unions in South Africa, with some 60,000 members, has called for a minimum wage of R2 (£1.14) an hour for black workers—roughly double the present average wage—and warned that proposed labour reforms may aggravate industrial unrest, Quentin Peel reports from Johannesburg.

Thai coup amnesty

Thailand's King Bumibol has granted amnesty to participants in the abortive coup against Prime Minister Prem Tinsulanond last month, radio Thailand said last night, AP reports from Bangkok.

China smuggling talks

DR. DAVID WILSON, the political adviser to the Hong Kong Government, left yesterday for Guangdong in China to discuss joint measures to curb smuggling from Hong Kong to Guangdong and illegal emigration from China to Hong Kong Kevin Rafferty reports from Hong Kong.

Sadat orders big wage rises to offset inflation

BY ALAN MACKIE IN CAIRO

PRESIDENT Sadat has ordered a large round of wage increases to offset some of the affects of inflation for those on fixed incomes and to raise the living standards of the very poor.

The package, due to come into effect next month, is expected to cost the Government E£500m (£333m) a year.

The most spectacular rises are reserved for the poorest paid. Those on the minimum of E£20 a month will have their salaries increased by more than 50 per cent.

But the main beneficiaries will be the bulk of Egypt's 3.5m public sector and Government employees who earn less than E£100 a month. Their take home pay will rise by up to E£21 a month. Pensions are also to rise by 10-20 per cent a month and there are plans to extend the wage rises to the private sector.

The increases are to be tied in with a tight check on retail prices. The Government is earmarking E£2bn in the next budget for subsidies and the figure could be up to 25 per cent higher, depending on world commodity prices and consumption patterns.

Somalis' fund-raising tour causes concern in Kenya

BY JOHN WORRALL IN NAIROBI

THE activities in Somalia of a new liberation movement seeking independence for the 200,000 ethnic Somalis in Kenya's North-Western province are causing concern and anger in Nairobi.

Members of the movement, known as the Northern Frontier District Liberation Front, have been touring Arab countries asking for financial support.

Ever since independence Kenyan security forces have been fighting an on-off war against armed Somali guerrillas, known as the "shifta," who operate deep into northern Kenya, stealing cattle and destabilising the Somali population.

Kenyan officials, however, say this is the first time the movement has been regularised with a title and an organisation. It wants independence of the North Eastern province, followed by a referendum for the people to decide whether to join Somalia.

Kenya's ethnic Somali MPs have condemned the new movement roundly and appealed to governments and the international community to avoid being taken for a ride by these elements.

Australia's money supply set to exceed targets

BY COLIN CHAPMAN IN SYDNEY

AUSTRALIA's money supply looks like easily exceeding targets for the year as a result of an exceptionally heavy inflow of overseas capital in recent months.

In April it seems that the flow of foreign money could have exceeded A$1bn (£349m), adding nearly two percentage points to domestic money supply and making it virtually impossible for the Government to restrict money supply growth to its target of under 11 per cent for the financial year ending next month.

Reserve Bank of Australia figures show that, in the week to April 29, the bank's holding of gold and foreign exchange rose by A$118m. This brings the increase for the month to A$840m.

The bank's figures are net of current account transactions which means that, unless there are significant repayments of Government or public authority loans, Australia will probably run a net balance of payments surplus of about A$600m for April. It would be one of the biggest on record. This will feed directly into the money supply.

Nato Ministers welcome arms talks pledge

BY BRIDGET BLOOM IN ROME

FOREIGN MINISTERS of the 15-member Nato Alliance yesterday warmly welcomed the U.S. decision to open negotiations *with the Soviet Union on the* limitation of nuclear weapons in Europe.

Mr. Alexander Haig, U.S. Secretary of State, who told Ministers on Monday that arms negotiations with the Soviet Union would begin before the end of the year, said that the two-day *Nato council meeting* here had been "one of the most important in recent years" and had "reaffirmed the indivisibility of the alliance."

The joint communiqué issued after the meeting declared that Mr. Haig and Mr. Andrei Gromyko, the Soviet Foreign Minister, would discuss "timing and procedures for negotiations" in New York in September.

Mr. Haig later said there would be meetings "at ambassadorial level" before then. The U.S. was now committed to full-scale negotiations before the end of the year he added.

Foreign Ministers here were *clearly relieved that the* U.S. is now publicly committed to arms talks, even though actual negotiations between the U.S. and the Soviet Union will not be possible before October at the earliest.

Mr. Haig has put two other caveats to the decision. First, he stressed that U.S. willingness to negotiate the limitation of European-based nuclear weapons did not mean that President Ronald Reagan was yet *ready to discuss strategic* weapons control with Moscow.

He confirmed that the new administration has still not worked out its policy on the Salt treaties which govern these weapons.

Salt-II, negotiated by President Carter in 1979 has lain unratified since the Soviet inva*sion of Afghanistan, is roundly* opposed by President Reagan, and is now considered a dead letter.

The communique speaks of the talks taking place "in the framework of Salt." Mr. Haig explained this by declaring that there was an obvious "interrelationship" between *strategic* and so so-called Theatre weapons, but that talks on the the latter "can proceed separately."

Second, while not directly linking the proposed negotiations with Soviet behaviour in Poland or elsewhere, Mr. Haig made it clear that Soviet intervention in Poland would spell an end to any arms talks.

The decision to begin negotiations with Moscow was taken *in the context of Nato's so-called* "dual track agreement" of December 1979.

Then, Nato Foreign and Defence Ministers agreed that from 1983, nearly 600 U.S. Cruise and Pershing-2 missiles would be positioned to counter the Soviet SS20s. At the same time, Ministers agreed, talks would be opened with Moscow on these nuclear arsenals.

European pressure on the U.S. Administration to honour the second part of this decision has been an increasingly divisive issue in the Nato Alliance over the past few months.

While senior officials were *claiming here yesterday* that this week's agreement had restored Nato's sense of purpose and its cohesion, there is clearly still considerable concern.

Washington set to renew military aid to Guatemala

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

THE U.S. Administration is inclined to renew military aid to Guatemala, which was suspended by President Jimmy Carter four years ago, partly because of human rights abuses by the military régime there.

In disclosing the Administration's thinking before a Congressional committee, Mr. John Bushnell, acting assistant Secretary of State for Inter-American affairs, agreed that present U.S. law, which proscribes military aid to countries with a record of consistently violating human rights, probably stood in the way of resumed arms sales.

But Mr. Bushnell compared Guatemala's struggle against insurgents with that in El Salvador, arguing that "it is hard for any small country to withstand a major assault with assistance from one superpower and its friends without help from another superpower."

The Administration had received what he described as "feelers" from Guatemala *about the possibility of sales* of helicopter spare parts, but no formal request had been made, he added.

Mr. Bushnell maitained that Guatemala would have to provide some concrete evidence of an improved attitude towards human rights if any arms request was *to be seriously* entertained.

Court hearings end on Canada constitution

By Victor Mackie in Ottawa

THE JUDGES of the Canadian *Supreme Court* are expected to rule in four or five weeks whether Mr. Pierre Trudeau, the Prime Minister, was in his rights when he asked Parliament to make Canada master of its own constitution, adding to it a Bill or Charter of Rights and a formula for future amendments.

The nine judges have heard arguments both on behalf of Mr. Trudeau's Liberal Government, which commands a comfortable parliamentary majority, and on behalf of eight of the Canadian provinces which claimed that Mr. Trudeau could not go ahead without a measure of agreement from the provinces.

The two other provinces, Ontario and New Brunswick, have sided with the Prime Minister and his proposals for the so-called patriation of the constitution.

If the court upholds Mr. Trudeau, his package is expected quickly to pass both houses of the Canadian Parliament, which would then ask the British Parliament to endorse it.

Should the court decide the other way, Mr. Trudeau would presumably call a conference with the provinces to see what can be salvaged.

Arctic well 'may yield 1bn barrels of oil'

By Alan Friedman

AN OIL WELL which may contain 1bn barrels of recoverable oil has been drilled in Canadian waters near the Arctic Islands.

Global Natural Resources, a UK company with a 17.2 per cent interest in the Cisco B-66 well, claimed yesterday that the well showed a daily oil flow of 1,465 barrels and could contain "at least" 1bn barrels.

Global is one participant in a consortium of companies working together under a Canadian Government exploration permit. The operator of the Arctic Islands exploration group is Panarctic Oils. Petro-Canada, the state-owned oil and gas company, has a near 50 per cent stake in Panarctic.

The claim by Global follows a report last month of potential reserves in a neighbouring site.

A Petro-Canada official yesterday confirmed the drilling of the Cisco well, but cautioned that nothing could be said about potential reserves until one or more delineation wells were drilled.

Move to tighten Freedom of Information Act

BY OUR U.S. EDITOR

THE REAGAN administration intends to tighten the Freedom of Information Act, under which private citizens may gain access to Government documents not otherwise made public.

Mr. William French Smith, the Attorney-General, took an initial administrative step this week by revoking guidelines introduced by the Carter Justice Department four years ago which directed Government agencies to co-operate with requests under the Act unless they were "demonstrably harmful."

Vice-President George Bush, in a speech in Chicago, expressed the general Administration view that the Act had gone too far in opening Government files to the public.

Mr. Smith's intent appears to be to allow individual agencies to set their own standards for compliance with hte Act. Some agencies, most notably the Federal Bureau of Investigation and the Central Intelligence Agency, *have long complained* they have been rendered needlessly vulnerable by the Act.

Thousands respond to Bermuda strike call

By Our Bermuda Correspondent

THOUSANDS of Bermudian workers responded to an all-out strike call yesterday, plunging the island into a labour crisis, which is seriously threatening its tourism industry.

Mr. Ottiwell Simmons, president of the powerful Bermuda Industrial Union, had urged all workers to walk out in sympathy with 1,150 Government blue-collar workers and hospital staff who are demanding a 22 per cent pay rise. The strikers already include 3,000 hotel employees who were dismissed after they walked out in sympathy.

All major hotel in Bermuda have closed, and there are now only about 1,000 tourists remaining. Normally, there would be 14,000. Flights between Bermuda and the U.S. have been halved from 10 to five and the island is losing an *estimated* $1.4m *a day.*

Mr. Simmons has denied that the srike is political but a motion of no-confidence was *tabled by the opposition* Progressive Labour Party in the House of Assembly (Parliament).

Defence priority for U.S.-Japan talks

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

DEFENCE ISSUES are likely to dominate a two-day summit meeting between Japan's Prime Minister Zenko Suzuki and U.S. President Ronald Reagan which *opens in Washington tomorrow*, despite frequently voiced Japanese concern that this should not be the case.

The talks are expected to be used by President Reagan to voice demands for a greater Japanese defence effort and to emphasise the U.S. administration's concern about the deteriorating security situation in the north west Pacific. Mr. Suzuki will offer a general *undertaking on the future of* Japanese defence policy but will not be able to cite any specific figures or targets for stepped up expenditure. He may counter President Reagan's demands by requesting assurances that the U.S. does not seek to "confront" the Soviet Union in the Far East.

Emphasis

The Suzuki-Reagan summit will be the first meeting between the two men and the first occasion on which U.S. and Japanese heads of government have held face to face talks since the late Prime Minister Ohira visited Washington in May last year. Mr. Suzuki has emphasised that he hopes to use the two days *of talks as an opportunity* for getting to know the President and for establishing a relationship "based on mutual trust" which could provide the basis for "hot line" contact between *the two men to resolve any* future problems. President Reagan appears to view the talks as an occasion for taking up the defence issue in much *greater detail* than these remarks suggest—although current indications are that he may be disappointed.

Far East meets West: Prime Minister Zenko Suzuki who is to have talks with President Ronald Reagan in Washington.

Specific

Five days before Mr. Suzuki left Tokyo for his American tour (which has included two days in New York in advance of the Washington meeting) a committee of senior Japanese ministers concerned with de*fence discussed the position to* be discussed at the summit and concluded that Japan could make no specific commitment on medium-term expenditure levels. *Mr. Suzuki will* be authorised to tell the President that Japan "aims" to attain the goals set out in a long term defence build up plan published in 1976 by fiscal year 1987 at the latest. However, attainment of these goals depends on the size of the defence budgets from next year onwards.

As a substitute for a commitment to spend more on military hardware Mr. Suzuki will outline to President Reagan a "comprehensive security policy" which calls for Japan to play a larger role in maintaining global stability through increased *foreign aid expenditure and* other measures. A commitment to double Japan's official aid in five years forms the centre piece of this policy, but the target has been calculated in a way which will permit relatively slow increases in aid spending during the first part of the five year period.

Apart from defence, on which a meeting of minds between the two leaders seems distinctly *unlikely, the talks are expected* to focus on economic issues and on an incident involving the sinking of a Japanese vessel by an American nuclear submarine (in circumstances which seem to call for an American apology).

Appreciation

President Reagan is expected to show his "appreciation" of Japan's unilateral decision to restrain its exports of cars to the U.S. for a two-year period (with a possible extension to a third year). He will also request a reduction in the Japanese import tariff on integrated circuits (an area in which the balance of bilateral trade has been shifting markedly in Japan's favour in the past two years) and he may repeat demands for greater access to the Japanese market for American farm products.

Mr. Suzuki's main concern may be to *follow up the im*provement in bilateral relations brought about by the car agreement by requesting U.S. co-operation in ensuring that Japanese trade policies are not singled out for attack at the Ottawa economic summit.

Mr. Suzuki's two-days of talks in Washington will be followed by a one-day visit to Ottawa where he is expected to be faced with demands that Japan match its commitment to restrain car exports to the U.S. with similar voluntary restraint policy for Canada. Japan is known to be extremely reluctant to allow the American agreement to serve as a precedent for other markets. However, it also needs to secure Canadian "understanding" of Japanese economic policies in advance of the Ottawa summit. Mr. Suzuki might thus find it difficult to give a flat "no" to Canadian demands for restraint.

Major test

Mr. Suzuki's talks in Washington and Ottawa represent the second major test of his international statesmanship since he (unexpectedly) emerged as prime minister last summer after the sudden death of Mr. Ohira. His first overseas tour (to south east Asia last winter) established him as a capable negotiator but probably represented a less taxing experience than the forthcoming Washington summit.

WORLD TRADE NEWS

Paul Lendvai in Vienna describes Britain's weakening grip on the Austrian market

The high cost of 'benign neglect'

BRITISH exporters have failed to hold their own in the rapidly expanding Austrian market.

Their failure seems irreversible despite last year's mainly seasonal improvement in the bilateral trade balance.

On the face of it. 1980 was a good year. British exports showed a rise in value of almost 8 per cent over 1979 at a total of £279.7m. while Austrian sales to the UK dropped by 12 per cent to £307m.

But these figures do not provide a yardstick of the British performance. The statistics for the past decade tell a depressing story. Since 1970 Britain's share of the Austrian import market has steadily declined from a post-World War II peak of 6.8 per cent to 4 per cent in 1975 and to a new low of 2.8 per cent last year.

Taking the figures for 1976-1980. British sales have risen every year less steeply than aggregate imports, and in the years of falling imports—1975 and 1978—they dropped more sharply than those of their competitors.

On the threshold of the 1970s, the UK was well-placed to overtake Switzerland, Austria's second largest supplier, after having already surpassed neighbouring Italy. But today, British exporters sell here even less than the French, whose sales a decade ago were only half those of the UK.

The deterioration in the British market position is particularly visible in the field of imported cars. In the 1960s, British cars were selling relatively well and had taken a market share of 16 per cent by 1970. By 1979 the market share had faded away to a mere 1.5 per cent.

Factors like the appreciation of the Austrian schilling against sterling from Sch62 in 1970 to Sch 28 in 1979 and the firming of the pound to Sch 34 by this spring have caused only slight changes in sales figures.

The basic fact is the failure of British exporters to profit from the devaluation of the pound since 1973, and, above all, from the decade of unparalleled growth and prosperity in Austria, presided over by Chancellor Bruno Kreisky and his Socialist Government.

This "benign neglect" of the Austrian market has coincided with an annual growth rate in Austria of 4.3 per cent throughout the 1970s. And with this neglect has come a loss of goodwill and reputation, according to Austrian trade specialists.

Austrian businessmen have complained frequently about long delivery dates, deterioration of quality and standards, failure to deliver goods and spare parts ordered months earlier and failure even to reply to letters.

In explanation, British officials and members of the active British Trade Council here offer two important indirect factors:

- the concentration of UK sales efforts since 1971 on the EEC;
- the emphasis given to exploiting the market opportunities in countries like Nigeria, Iran (at least until the revolution) and other oil producers.

This argument is not entirely convincing because, for example, sales and promotion material used in Germany could easily have been adjusted to the Austrian market.

Still, the groundwork has been laid for future expansion. There are 110 directly-owned British concerns active in Austria. The increased value of British exports last year may be the harbinger of sustained improvement provided exporters come to terms with the necessity of making regular personal visits and modern forms of sales promotion.

"Design, performance, after sales service and absolute reliability backed up by aggressive and confident marketing are the keys to success," the Duke of Kent told the British Trade Council last year.

Chancellor Bruno Kreisky . . . a decade of prosperity.

South Korea's economy emerges from deep recession

Richard C. Hanson in Seoul reports on a big surge in exports

SOUTH KOREAN exports are surging ahead, according to preliminary figures, a key indication that the economy is emerging from last year's deep recession.

Officials disclosed that, in April, exports on a customs clearance basis were up 33.2 per cent from a year earlier to \$1.7bn (£739m).

Moreover, export letters of credit opened last month, a sign of shipments in coming months, jumped 60.5 per cent over the comparable period in 1980.

Imports (cif) for the month were up by 16.7 per cent to \$2.2bn.

According to senior economic planners, the boom in exports is one of the first positive signs that South Korea has "turned the corner" in its bid to recover the momentum lost in 1980.

Last year, the inflation-adjusted gross national product fell 5.7 per cent under the weight of higher oil prices and stagnant domestic demand.

Economic problems were made more serious by months of political uncertainty and social unrest following the assassination of South Korea's President in October, 1979.

Exports last year were propped up almost exclusively by a painful 36 per cent depreciation of the Korean won, which was allowed to float downward after devaluation early in the year. For the 12-month period fob exports gained a modest 16.3 per cent to \$17.5bn but the devaluation added seriously to a highly damaging inflationary spiral.

Officials are counting on a high rate of export growth this year to bridge the wide gap between supply and demand in the economy. At the end of the first quarter, the manufacturing sector was using only 74 per cent of its capacity.

This rate was above the low point of 67 per cent last September, but still below the point where businessmen can reasonably be expected to begin spending freely again.

The expansion of shipments is broadly based with textiles, the largest single export item, performing well because of strong demand from mainland China.

South Korea's strategy this year is to take advantage of the beneficial price effects of last year's devaluation. The cost of South Korea's exports last year rose about 5 per cent, officials calculate, compared with a world average increase of about 10 per cent.

Improved exports are prompting officials to revise downward their forecasts of this year's merchanidse trade deficit by about \$1bn to about \$4.5bn. The current account, however, is expected to remain in deficit by roughly the same \$5.5bn of last year.

This is mostly because higher interest rates internationally have sharply increased the cost of servicing the nation's large external debt, which grew to over \$27bn by the end of last year.

Australia offered Airbus partnership

By Colin Chapman in Sydney

THE AUSTRALIAN Government confirmed yesterday that it has been offered an A\$400m (£200m) partnership by the European Airbus Industrie consortium to join in the design and construction of its next commercial jet aircraft.

The aircraft, tentatively called the A-320, would be a replacement for the DC-9 and Boeing 727/737 and would involve Government-owned aircraft factories, the Commonwealth Aircraft Corporation, British Aerospace and Hawker-de Havilland.

The proposal was made to Australia by M. Roger Chanute, leader of an airbus delegation. He said the package "would allow Australia to participate not just in sub-contracting work, but, in essence, to take part in all aspects of the programme—from the initial design to being a sharing member of the project."

The offer, said M. Chanute, would cover parts for about 1,000 aircraft to be built from 1985 onwards.

Two to 3 per cent of the work on the A-320 would come to Australia, but if the project was to go ahead, said M. Canute, details would have to be worked out by the end of this year.

Fokker sells F-28s to Iran

By Charles Batchelor in Amsterdam

FOKKER, the Dutch aircraft maker, announced the sale of two F-28 Mark 4000 Fellowship jets to Iran Asseman Airlines-Pars Air in a deal worth about Fl 40m (£6.9m).

The 85-seat F-28s, which will be delivered within the next two months, will go into service on domestic routes. They will supplement two leased F-28s which have been in service since 1977. It is not yet clear whether the airline will renew the leasing agreement when it expires.

The Iranian deal brings total sales of the F-28 to 171 aircraft to 45 operators in 30 countries.

Vanuatu plans shipping move

By Kevin Rafferty in Hong Kong

VANUATU is pressing ahead with plans to turn its capital, Port Vila, into an international centre for registration of flags-of-convenience vessels.

It is hoping to have its register fully set up by the middle of this year and has fixed its rates at 25 cents per gross registered ton, or below those of Liberia which has one of the biggest convenience fleets in the world. Liberian rates are also due to go up shortly.

Vanuatu has sent a senior official on a visit to Hong Kong, Taipei and Tokyo to try to persuade shipowners of the advantages of registering at Vila.

UK and Japan to hold talks on computers

BY GUY DE JONQUIERES

BRITAIN and Japan are to hold exploratory talks on the possibility of co-operating on research and development in advanced high-speed computers, telecommunications and robotics.

A flurry of exchange visits, involving Ministers, senior civil servants, businessmen and electronics experts from the two countries is due to take place between now and the end of this year.

Three British delegations, two led by senior officials at the Industry Department and the third by the Computing Services Association, will visit Japan within the next few months, Sir Keith Joseph, Industry Secretary, will go there in September.

Two Japanese Ministers, Mr. Yamanouchi of the Telecommunications Ministry and Mr. Tanaka of the Ministry of Trade and Industry, have been invited to come to Britain this year.

The talks were announced yesterday by Mr. Kenneth Baker, Minister of Information Technology at the Industry Department, who returned recently from a visit to Japan with Sir George Jefferson, chairman of British Telecom.

Mr. Baker said that Britain could contribute much expertise in software, the instructions needed to operate computers. The next generation of computers will require particularly sophisticated software to enable them to recognise speech and to endow them with limited "intelligence."

He indicated that Britain had much to learn from Japan in the application of electronic technology, notably in factories and that the two countries could usefully exchange information in fields like digital telecommunications and fibre optics.

British Telecom has also agreed to hold periodic meetings with Nippon Telephone and Telegraph, which operates Japan's domestic telecommunications monopoly and has a sizeable research establishment.

But the Government does not apparently hold out much hope of British manufacturers of telecommunications equipment being able to make any significant exports to the highly competitive Japanese market.

It is continuing to press Japan instead to make what it calls "strategic purchases" of British equipment to be incorporated into telecommunications systems sold to third countries by Japanese manufacturers.

Mr. Baker also warned during his visit that the Government would not allow foreign manufacturers to flood the British market with telecommunications apparatus after British Telecom's monopoly was relaxed later this year.

Technimont wins £32m contract in Nigeria

BY RUPERT CORNWELL IN ROME

TECHNIMONT, the plant process arm of the giant Montedison group, has won a L80bn (£32m) contract for equipment and machinery for a new polypropylene plant to be built at Warri in Nigeria.

The deal, signed by Technimont and the Nigerian Petroleum Corporation of Lagos, also embraces a banking consortium led by Credito Italiano which will provide the financing.

Its provisions do not cover the cost of the civil engineering work and construction of the plant, which is due to go on stream at the end of 1982. These aspects will be dealt with in a separate contract.

Meanwhile ENI, the state-owned energy agency, has signed in Moscow an agreement extending the 1969 technological and scientific co-operation pact between the group and the Soviet Union for a further five years.

The agreement focuses on the energy sector. ENI is likely to step up its assistance to the Russians in the recovery of marginal oil and exploration of possible new fields. In return the Italians are hoping the deal will clear the way for higher Russian oil exports to Italy.

Exports of crude to Italy for 1981 are set at only 3.3m tonnes, down from the 4m tonnes delivered in 1980.

Swiss export claims rise

BY JOHN WICKS IN ZURICH

THE SWISS Government's export risk guarantee programme last year granted guarantees with a net value of SwFr 8.77bn (£2bn). This was equal to 17.7 per cent of total export value.

Claims payments amounted to SwFr 249m in 1980. The sum included SwFr 151.1m alone as compensation for currency losses and a further SwFr 51.1m in connection with debt consolidation involving Turkey, Togo, Peru, Zaire and Sudan.

Expenditure on claims was thus considerably higher than premiums of SwFr 169.3m plus other guarantee-fund income of SwFr 15.3m.

White Paper will damage bus network warns company

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

BRITAIN'S State-owned bus network will be considerably damaged if the National Bus Company takes action to achieve the performance implied in the Government's White Paper on public expenditure the company has told the Commons Transport Committee in a written submission.

Action is already under way to make 4,000 of the company's staff redundant, out of a total cut of 6,000 jobs across the company's 35 local bus companies. Operating costs are to be cut by £45m this year, and bus mileage cut by nearly 60m miles to less than 500m miles.

The National Bus Company carries two and a half times as many passengers as British Rail and any cut in services will affect thousands of travellers, particularly in isolated rural areas where the company's buses are often the only public transport. The company operated 1.77bn passenger journeys in 1979—the latest available figures.

One of the worst hit areas is York, where service mileage was cut by 23 per cent last week, and 17 buses were withdrawn from service. In other areas such as Devon, Somerset, Northampton, Hereford and Worcester, drastic cuts in services of up to 20 per cent are still to come this year.

The company has been forced to take this action because of the recession, increasingly tight government expenditure policies, and a requirement that the company pays interest to the Government on £97.6m of capital debt, incurred by the company under the 1968 Transport Act.

The expenditure White Paper, published in March, said the company would have to rely increasingly on internal resources to finance its requirements. The grant for new buses once representing 50 per cent of the new bus costs, is being phased out and under government pressure local authority support for the company is expected to account for only 6 per cent of revenue, for the period to March 1984, 13 per cent less than previously forecast.

The planned redundancies and cut in service will inevitably accelerate the rate at which bus services will disappear, the company says in its paper to the Commons Transport Committee.

The company has already taken action to cut its costs by £20m, but of the second stage cuts of £25m to give a total of £45m savings, £18m of nearly 75 per cent will be used to pay the Secretary of State for Transport this year's interest on the capital debt.

The interest payments are a form of dividend according to Mr. Robert Brook the company's chief executive, but unlike private operators the company has to pay this dividend regardless of market conditions. This year the interest burden will take up nearly half the grant expected to be received from county authorities in England and Wales.

In some cases bus services are expected to disappear altogether this year the company says, largely because of the need to pay this interest burden in bad years.

In its evidence to the Commons committee the company says it is difficult to see how it can be expected to function commercially as envisaged by the White Paper when the Government has placed the millstone of interest payments around it.

The company has asked the Government to write off the £97.6m of commencing capital debt and the interest on its long term borrowings, but so far the Government has not responded.

Co-operative Union plans could save small shops

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

PROPOSALS TO halt the decline of small grocery shops operated by co-operative retail societies have been put forward by the Co-operative Union, the umbrella body for the co-operative movement in the UK.

The proposals, made in a report by the union, could result in a radical overhaul of the way in which small co-op stores are owned and operated. Changes suggested include franchising or leasing small shops to worker co-operatives.

The Co-op Union's report follows a debate at the 1979 Co-op Congress which called for ways to stem the co-op movement's retail decline. Since then, the problems of co-op retailers have intensified with the London society being forced earlier this year to merge with the Co-operative Retail Services—the body which traditionally takes over retail societies in trouble.

A number of other retail societies are considering either joining the Co-operative Retail Services or merging with other societies because of the present tough trading conditions. Government statistics published last week show that total turnover of the co-op societies in January was £290m, down by some £40m on the same month last year.

In its report, the Co-op Union says that in spite of rationalisation in recent years, "the movement remains essentially orientated towards small shops." It adds that what other retailers consider small shops are "often quite large units by our standards."

But the report argues that the co-op movement should not resign itself to the decline of small shops, or look to the Government for financial aid. Instead, the report suggests that "with the support and understanding of the traditional movement, a new style of retailing co-operative might emerge."

The Institute of Grocery Distribution revealed last week in its annual survey of the grocery trade that the trend towards small shop closures had continued in 1980. In the last 12 months, the number of grocery shops had dropped by 2,500 to about 66,000.

● Britain's small grocers have given qualified support for liberalising the present laws restricting Sunday trading.

A survey carried out by the Voluntary Group Association showed that 425 were in favour of Sunday opening and 382 were against. However, only 807 of the assocation's 17,000 members responded to the survey.

There have been several attempts in recent years to amend the laws restricting Sunday trading. However, opposition by trade unions, religious groups and the Retail Consortium has prevented any changes being made.

Mortgages from banks 'may be short lived'

By William Cochrane

THE CLEARING banks' vigorous entry into the home loan arena may be a temporary phenomenon, according to the Bristol and West Building Society.

The April addition of the society's quarterly Factual Background says that the banks' present drive to secure a larger share of the home loan market may become less important as industrial and personal lending becomes more attractive.

House mortgage lending is unlikely to supplant the banks' traditionally major lending areas, the quarterly adds. It acknowledges, however, that at the higher end of the market a bank mortgage can often be "very competitive" with the terms offered by building societies.

Commenting on the growth of competition, Mr. Harry Chadwick, Bristol and West's joint general manager, said: "We have never been afraid of competition from the clearing banks or any other financial institutions. At the present there is no lack of demand for mortgages."

Battle to mobilise personal savers' funds

Andrew Taylor looks at new building society schemes which will weaken the rate-fixing cartel

THE RECENT rush of new building society savings schemes marks an intensification in the battle for personal savings being waged by the societies, the Government and the clearing banks.

The schemes will also help to weaken the societies own interest rate-fixing cartel, which in recent years has come under increasing pressure as societies compete among themselves and with other institutions for funds.

It has been suggested that these schemes—offering higher interest rates and other inducements—mark the end of the cartel. However, it was clear, even before the latest announcements, that the role of the cartel had been largely overtaken by comptitive pressures from both within and outside the building society movement.

Mr. Leonard Williams, chairman of the Building Societies' Association, warned at the beginning of last month that the interest rate cartel was unlikely to operate for much longer. The latest schemes announced by Cheltenham and Gloucester, Gateway, Leicester and Provincial building societies will only accelerate a process which began several years ago.

In the last few months, societies have come under increasing pressure from Government for funds, at a time when demand for mortgages has risen sharply. Figures just published by the BSA show that societies committed themselves to lend a record £3.14bn in the first quarter of 1981.

In March alone, societies promised to make 76,000 loans—the highest number promised in any month since November 1977—despite the fact that societies' net receipts of £269m that month were the lowest for nine months. Figures for April are likely to be even worse.

It therefore should hardly have come as a surprise when Cheltenham and Gloucester announced details of yet another building society savings scheme in an effort to improve its competitive position in the investment market.

However, the difference between this and other schemes launched by building societies in recent years is that Cheltenham and Gloucester is seeking to get away from the concept that the only way society investors can achieve higher rates of interest is by locking away their cash for up to five years in term shares.

The society says the new scheme will operate like an ordinary share account — investors will be able to draw out money on demand "without extra complications" or penalties — and will command an extra 1 per cent interest rate above the current recommended ordinary share rate of 8.5 per cent net.

But there are strings attached to this deal. Investors must keep a minimum of £1,000 in their new "Gold Account" to qualify for the extra 1 per cent interest.

The launch of the Cheltenham and Gloucester scheme just preceded the announcement of a similar scheme by Gateway building society, which is also offering a new style ordinary share with an extra 1 per cent interest for investors keeping a balance of £500 in the new account.

Gateway says its terms are better than those offered by Cheltenham and Gloucester. It intends to pay interest half-yearly instead of yearly, which will make the effective rate on the new account 9.73 per cent net. However, investors with Gateway will lose one month's interest when withdrawing money from the new account.

In the wake of the Cheltenham and Gateway schemes, Provincial Building Society has announced a new three-year term share, carrying a guaranteed interest rate $1\frac{1}{2}$ percentage points above the Building Societies' Association recommended ordinary rate. Provincial has also announced modifications to its monthly income account, which pays interest monthly instead of annually.

Midshires Building Society has launched a new three-year term share carrying a 10 per cent interest rate similar to that being offered by Provincial on its new three-year scheme.

The most novel scheme of all has come from the Leicester Building Society which will run a competition for new and existing investors over the next three months offering as prizes five new Ford Fiestas with 50 "runners-up" prizes of a week's free hire of a Fiesta, through Godfrey Davis.

Leicester's campaign to attract more funds into its coffers may be highly unusual but Mr. Richard Lacy, its development manager said: "There is a keen battle for personal savings in the market place. This calls for ingenuity and innovation on the part of the building society industry."

It is doubtful whether other building societies may follow the road chosen by Leicester, but there will be considerable interest in the new style schemes launched by Gateway and Cheltenham and Gloucester which have undoubtedly broken new ground for the building societies movement.

The cost of the new schemes to Gateway and Cheltenham and Gloucester is not certain, particularly if these attract large sums of money from existing ordinary share accounts. But it is clear that the battle for savings will mean that future reductions in the mortgage rate may be less than might otherwise have been the case while societies strive to maintain their competitive edge in the savings market.

ADVERTISEMENT

INSIGHT INTO JAPANESE MANAGEMENT

Marubeni: World-wide trading *by Dick Wilson*

Marubeni Corporation Japan recorded a total trading volume of Yen 8,740 billion in the year ended March 1980, 39% higher than in the previous year. The consolidated net income was Yen 17 billion. Marubeni employs more than 10,000 people and is capitalised at Yen 36 billion.

Founded in 1858 around the textile trade, Marubeni now has seven major groups dealing with metals, machinery, textiles, development and construction, energy and chemicals, agri-marine products and materials and miscellaneous products. Roughly 41% of the trading is domestic, 24% is exports, 19% imports and 16% exports and 18% imports. The President is Mr. Taiichiro Matsuo.

Marubeni is one of the giant Japanese trading corporations. It belongs to the Fuyo group of over 30 companies including the Fuji Bank, Nissan, Hitachi Limited, Nippon Kokan K.K., Taisei Corporation, Showa Denko K.K. and so on.

It currently ranks 4th among the Sogo Shosha, as the Japanese call their trading corporations.

One of Marubeni's 114 overseas branches is in London, where it recently celebrated its 25th anniversary. Today, about 45 Japanese and 120 British staff look after its interests, from a skyscraper facing London Bridge station.

Dick Wilson went there to interview Mr. Keizo Matsumori, the General Manager, and Mr. Hideya Taida, Manager of the Corporate Planning Division.

Wilson: What is the trading house's role?

Matsumori: To begin with, more than 50% of Japanese exports go through trading houses. That testifies to more than just the relative cheapness of sales through trading houses as compared with direct sales from manufacturers.

Whatever a product, wherever it is to be marketed, we are able to offer our customers a complete package of services—marketing transport, storage, insurance, shipping, financing and the set-up of distribution channels. These are all the basic essentials for successful trade. But trading houses like us are large and highly diversified enough to lay on more sophisticated and comprehensive services including even manufacturing and packaging for materials and commodities, off-shore trade and all the necessary financial and legal cares.

Our overseas branches have teams of specialists with a thorough knowledge of the market and the command of the language of the country. On top of all this the offices are linked by extensive computer networks. Sogo Shosha have the reputation of being among the few organisations in the world other than governments with information network on this scale.

We also have other functions. For instance, Japan depends almost 100% on the import of oil. But oil producers usually try to sell on condition they get new technology and equipment in exchange like a petrochemical plant. The Sogo Shosha are well placed to mediate between these two demands—to secure the supply of oil at their own risk together with a conservation system, then to procure, in return, a power station, steel plant or even infrastructure. It is in this field we show the strength of our Fuyo group which includes the largest electronics company in Japan, and other companies in different industrial areas: construction, chemical, machinery, engineering etc.

We can also arrange investment together with banks and manufacturers. Take some Communist countries, which lack hard currency. If they want to buy plant they usually want to pay for it in the form of production sharing. The plant manufacturers normally cannot buy those products, but we can, to sell to third customers.

Finally, we co-ordinate multinational complex joint ventures for a third country. We have recently been involved in three successful plant constructions for China. The British firm, Davy McKee has organised a petrochemical plant venture in Taching, in which we participate by procuring machines. The other two tenders have been led by Marubeni: an ethlene plant in Taching using French ethlene tanks, and three ammonia plants in other places with German machines.

Wilson: What sort of people make all this work possible?

Taida: Marubeni Corporation employs about 8,000 Japanese of whom 2,500 are women—and then there are about 2,500 foreigners.

But almost 95% of the 5,500 Japanese men are university graduates. There is no other organisation like that even in Japanese business.

So the function of the Sogo Shosha is, apart from its conventional trading role, to expand into new areas of business and technology. We have a complete overview of world business which we can use to push in whatever direction such as alternative energy or space technology. Japanese companies started with borrowing knowhow from the West. But now in a kind of escalation we look for ways both to improve products and to export our stock of know-how, and I believe this is a source of energy to create new developments.

Thorough knowledge of the market

Wilson: How does the British economic situation look to you?

Matsumori: We have been expecting to see the recession bottom out since the Tories took power. I still believe their monetary policies are right, but, I regret to say, the overall economic prospects of the West are facing rather gloomy period of structural recession for the foreseeable future and Britain won't be an exception.

Wilson: A lot of British managers believed that the Conservative government would bring a better approach to the management of the economy. Do you feel satisfied with what the Conservatives have done?

Matsumori: As I said before, they are the party most able to take the decisive steps necessary to bolster the economy. The current problems of inreasing unemployment and recession in some areas should ease off, and the prospects for building up strategic industries and a modern electronics industry should look pretty bright. But I think it will take real determination and a fresh approach from both management and unions for the British economy to come right.

Wilson: What about your operations here in the UK? You have 5 joint ventures in Britain?

Matsumori: Yes. Sanyo-Marubeni UK Ltd., Koyo UK Ltd., Kubotea Tractors UK Ltd., Marubeni Komatsu Ltd., and Tekmatex Marubeni Ltd. The first distributes consumer electronic appliances like TVs, VTRs and so on. Koyo is a ball-bearing company, and we are selling their products to Ford motors and other industries. Kubota is one of the largest machinery makers in Japan. Here in the UK they distribute tractors from Leeds, and we maintain a stock of parts and technical engineers.

Mr. Keizo Matsumori
Director, General Manager
London Branch

Mr. Hideya Taida, Manager
Corporate Planning Division,
London Branch

Tekmatex is a distributor of textile machinery produced by, among others, Nissan Motors.

The total British employment in all these operations is about 500, and Marubeni in London has about 120, so our overall number of employees is over 600.

Wilson: So what is the approximate turnover for all activities in the UK?

Taida: Our turnover in this office is very big. Including oil, which we import from the Middle East and Africa mainly for Japanese and other markets, it is over US$4 billion a year.

New areas of business and technology

Wilson: In each of these five ventures Marubeni is tied up with another Japanese firm. Did you ever consider having British partners for any activities?

Matsumori: If we were to establish factories, I am sure we would construct with British companies.

Wilson: Do you think that is going to come in the future?

Matsumori: Yes. Marubeni has made it its business to redress the trade imbalance between Japan and the EEC. Our President Mr. Matsuo, is Chairman of the British Market Council in Tokyo. He has visited this country twice on behalf of the Japanese Government leading large delegations. At the British Government request, he suggested to the Japanese Government, the idea of organising a number of investment-promotion missions and ways of increasing imports from Britain. These plans have already begun to be put into effect. Mr. Matsumo was awarded the CBE for his contributions in these areas.

For our part, we have opened a liaison office in East Kilbride in Scotland, where the Development Corporation is very eager to invite Japanese manufacturers. And from this base we are using our very extensive knowledge of the Japanese business world to bring more direct investment to Scotland—especially factories which create employment. This, we all hope, will reduce the pressure from direct Japanese imports, and benefit both sides.

Wilson: I suppose prospective Japanese investors worry about the British unions, their strikes and their opposition to modernisation?

Matsumori: Actually many development corporations in this country explain and report fully to Japan regarding the trade union movement. And if the prospective management contacts the trade unions properly, I don't see any reasons why their industrial relations fail.

But Japanese management may be worried about the scope of strikes outside their house union. If port labour strikes, they can't deliver the product overseas; and if the lorry drivers strike they can't deliver the product anywhere; and a seaman's strike or postman's strike . . . you name it. They can't get round those by private enterprise. But this bad impression is now improving.

Wilson: You mentioned earlier exporting British goods, and Mr. Matsuo getting involved in efforts to help British marketing. What is the value of British goods you are currently exporting?

Matsumori: It is not a big figure yet: some whisky (Marubeni is the agent for Teachers Scotch Whisky), woollen cloth, machinery including Molins tobacco machines and day-old chicks. But the import of chicks did, in fact, bring a big change in Japanese eating habits. About ten years ago we started with about 60,000 chicks a year, which produce in two generations of breeding 144 million—and this year we are doubling those figures. The chicks come from the Ross Group. We set up a breeding farm and ancillary facilities and the result is the cheapest meat protein to be found in Japan!

Wilson: Going back to the question why the Sogo Shosha works so well, have you got any ideas about difference in management between that in the UK and Japan?

Taida: I have the impression that in British firms each individual tends to think of his own territory as sacrosanct—so people don't work together or back each other up as they could. Our management policies are designed to make sure that everybody recognises what the others are are doing and what the targets are. Therefore if somebody is away because of illness or holiday his job will be almost automatically covered by his colleagues. It is the same in overseas management.

Wilson: In Japan the individual tends to be social, whereas here he is autonomous. So that colours the way of working.

This is one of the biggest Japanese companies to have invested so much in redressing the trade imbalance with Britain—by drumming up more Japanese investment here as well as increasing exports from the UK. It is a far-sighted corporation, big in every way.

Marubeni

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Councils exceed targets by up to £900m

BY ROBIN PAULEY

LOCAL AUTHORITIES in England have budgetted to increase the volume of their current expenditure by about £850m-£900m above the Government's target for 1981-82.

The volume overshoot for 1981-82 is slightly less than the £1bn or more widely predicted, particularly by the Treasury. But Mr. Michael Heseltine, Environment Secretary, has been trying to keep the overspend level secret until after tomorrow's local government elections.

This is because of the spending excesses by the shire counties, all but one of which is Conservative-controlled. The Conservatives are expecting to lose control of a number of counties and to have their strength significantly diluted in many more.

Mr. Heseltine believes their chances would be further hurt by the revelation that every county except one has missed its volume target for the year and that the total overshoot by the shire counties is about 4 per cent after some adjustments from the aggregate figure.

The volume measure of expenditure broadly represents the numbers of local authority staff and equipment irrespective of their actual costs in terms of wages and prices.

Mr. Heseltine is reported to be very unhappy that it is Conservative-controlled councils which are letting him down again, as they did during his revised budgets exercise last year.

The shire county figures indicate that many are going for greater expenditure and the underlying trend is an even more substantial increase in spending than the 4 per cent figure suggests.

This is because the shires have been given large amounts of extra money by the Government this year at the expense of the urban areas. A system of grant allocation was chosen which favoured non-metropolitan areas.

An interesting feature of the overspend—and one which has particularly annoyed the Government—is that areas which have been generously treated by the Government have expanded their spending far in excess of the extra grant.

London, which lost more grant than any other urban area, has exceeded its volume target by only 2 to 3 per cent, while the counties are well over the top.

Mr. Heseltine is pledged to take penalty action against councils on the basis of the volume targets, which required a cut of 5.6 per cent below the actual expenditure of 1978-79.

Derelict land use proposals

By James McDonald

PROPOSALS for the use of the estimated 19,000 acres of vacant and derelict land in Greater London have been put forward by the National Federation of Self Employed and Small Businesses.

The Federation says public bodies should be required to put up for auction any plot of land or empty building they own which has been substantially unused for more than 10 years "on application by any member of the public or private companies." The auction should take place within three months of an application.

Two years after this "right to bid" proposal is implemented, says the federation, the vacant land remaining in public hands should be listed as "workstead plots." For a £200 non-returnable fee, individuals and firms could enter a ballot for a plot, which would be transferred to the winner at no extra cost.

Land and buildings under both schemes, suggests the federation, should be sold or transferred with no planning restrictions.

Government launches plan to foster new businesses

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

AN ATTEMPT to stimulate creation and growth of new businesses by publicising taxation and other policy changes introduced in the past two years was launched by the Government last night.

A year's propaganda of speeches, conferences and other events planned at a cost of about £500,000 began last night with a reception in Downing Street, hosted by the Chancellor of the Exchequer, for bankers, small businessmen and Ministers.

To measures to be advertised are a bank loan guarantee scheme announced in the Budget, to be started on June 1, and tax concessions for new businesses, contained in the Finance Bill, in a "business start-up scheme."

Sir Geoffrey Howe, the Chancellor, said: "This campaign is an attempt to market tax concessions and other advantages which have been introduced but which are not fully known about."

He admitted that the recession had made life "difficult" for small businesses, but said that prospects were improving.

He acknowledged that the change of climate about small businesses was started before the General Election when Sir Harold Lever, now Lord Lever, was made Minister responsible for the matter. In recognition of his work Lord Lever was a guest at the reception.

Sir Geoffrey confirmed last night that the bank loan guarantee scheme would start operation on June 1.

It is intended to be self-financing and will provide guarantees on loans totalling £50m a year for three years. The loans will be made by the English and Scottish clearing banks and the Industrial and Commercial Finance Corporation.

The Industry Department will administer the scheme with a staff of three. It is holding talks with other financial institutions, including the Co-operative Bank, interested in joining the scheme.

The main clearing banks might insist that separate funds be allocated for any other bank.

Final details of the scheme are still being negotiated. A working party of clearing banks and Industry Department met yesterday to discuss which industries and forms of business should be covered.

The Industry Department will guarantee 80 per cent of loans up to £75,000 and charge 3 per cent a year for a fund against cost of failures.

● The Midland Bank announced yesterday that its first smal factory estate built in its £5m programme in conjunction with the State-owned English Industrial Estates Corporation will be at Barnsley, Yorks.

Economists see upturn in 1982

By Peter Riddell, Economics Correspondent

A SUSTAINED improvement in the economy can only be expected in 1982 even though the recession has probably bottomed out, predicts the Society of Business Economists' short-term forecasting group.

The group, consisting of 15 business economists regularly involved with forecasts, has prepared projections on post-Budget assumptions.

Mr. David Kern, of National Westminster Bank and the secretary of the group, says "the consensus view is that the recession has now probably bottomed out, and no further falls in output seem likely during 1981." (But no increase is expected either.)

"However, in annual terms Gross Domestic Product is expected to fall by some 2 per cent in 1981 and a sustained upturn in the economy can only be expected in 1982, when GDP is projected to rise by some 2½ per cent."

Revenue appeals on undistributed charity cash

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

AN APPEAL by the Inland Revenue involving tax on two charities set up by Mr. Jim Slater and his wife began in the Court of Appeal yesterday.

The Helen Slater Charitable Trust and the Slater Foundation were set up in 1970. Their objects included relief of suffering among the aged and poor, and advancement of education.

The Inland Revenue held that money paid by the trust to the foundation, which the latter did not distribute for charitable purposes in the year in which it was received, was not exempt from tax.

It contended that money not distributed had not been "applied" for charitable purposes under Section 360(1) of the Income and Corporation Taxes Act 1970, and thus did not qualify for exemption.

The appeal involves nearly £600,000 paid by the trust to the foundation from 1973 to 1975.

Tax Commissioners allowed the trust's appeal against the Revenue ruling. Their decision was upheld by the High Court in 1979.

Mr. Mark Potter, QC, for the Revenue, said yesterday that when income-tax was introduced in 1803 most charitable payments were made direct.

In recent years there had grown up a new kind of charity, which largely consisted of collecting money and passing it to other charities.

Until lately the Revenue had adopted a somewhat lenient practice in dealing with that situation.

The trust claimed tax exemption irrespective of what the foundation did with the money, and had successfully argued at earlier hearings that mere payment to the foundation meant that the money had been "applied" charitably.

The Revenue's contention was that mere payment was not enough. The money had to have been expended "in the field" for a charitable purpose, said Mr. Potter.

The hearing continues today.

Old Vic Theatre to close on May 16

By Michael Coveney

THE OLD VIC THEATRE will close indefinitely on May 16, it was announced yesterday. This is the final disaster of an unhappy period which has included the popular success of Peter O'Toole's critically reviled Macbeth and the withdrawal by the Arts Council of its £300,000 grant.

The loss of that grant put the London theatre under great strain and immediately threatened the goodwill of commercial sponsors who had begun to support it. The issue seems certain to result in another major row about how the Arts Council operates.

Mr. David Russell, chairman of Prospect Productions (which trades as the Old Vic), said the loss of the grant seemed "wholly insensitive not only to the company's and the theatre's future but also to the wishes of successive Ministers for the Arts who have encouraged theatres to raise money through fund-raising and self-help techniques."

The last performance in Waterloo Road on May 16 will be given by the Old Vic Youth Theatre in, ironically, The Beggar's Opera. The building was due to close then for building repairs. On the same day, 47 permanent staff, actors, technicians and administrators, will be out of work.

Boost for Leith

A £7M three-year programme to revitalise industry in Leith, Lothian, was announced yesterday by the Scottish Development Agency, the Lothian Regional Council and the City of Edinburgh.

Loan for Glasgow

THE European Investment Bank (EIB) has granted a loan of £20m for public works in Glasgow. The 15-year loan, at an interest rate of 11.95 per cent, is to help finance construction of the Monkland Motorway and improve the water and sewage disposal systems.

Flexibility call

A CALL for more flexibility in the financing of nationalised industries was made yesterday by Mr. Glyn England, chairman of the Central Electricity Generating Board.

BR joins Leyland to produce Railbus

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

LEYLAND VEHICLES and British Rail Engineering have joined forces to manufacture and market a low-cost export version of the Railbus, the lightweight rail vehicle based on a Leyland National bus body and a chassis with steel wheels made by British Rail.

The 104 passenger capacity BRE-Leyland Railbus is a potentially important addition to the transport products made by the two companies. Both manufacturers have substantial spare capacity and are aiming at a sales targe of 200 Railbuses a year for export worth an estimated £30m.

The Railbus could also be the answer to the many growing problems of British Rail's rural rail services. These are labour and capital-intensive, but cater for few people. The East Suffolk line, for example, costs £1.2m a year to run but generates only £400,000 a year in income.

The Railbus is "absolutely crucial to the retention of the rural lines in Britain and abroad, and has an enormous export potential," Mr. James Urquhart, chairman of British Rail Engineering said in Derby yesterday when the new Railbus was unveiled.

Each Railbus is expected to cost between £130,000 and £140,000 when in full scale production. The Railbus also offers fuel consumption rates three times better at 10 miles a gallon than BR's conventional diesel multiple units. Maintenance costs are the same as for a bus. Leyland Bus, one of the three operating arms of Leyland Vehicles, would make the body shell, as in the prototype on show yesterday, and would continue to make and supply the 200 h.p. diesel engine.

Leyland Vehicles and British Rail Engineering have no orders for the vehicle, but overseas marketing is already planned.

The search for orders is likely to be undertaken as a matter of urgency.

British Rail has already designed the Class 140 twin-carriage railbus which is under test. This also used a Leyland National bus body, but was designed to be used by BR rather than for export, and is substantially more expensive, almost £250,000 apiece, than the BRE-Leyland Railbus.

Limited Bank intervention as gold reserves fall

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

BANK OF ENGLAND intervention in foreign exchange markets last month seems to have been on a relatively small scale despite the pronounced weakness of sterling, especially against the dollar.

Treasury figures published yesterday show that the UK's official reserves of foreign currency and gold fell by $146m (£68m) last month to $28.07bn.

After adjusting for new borrowing and debt repayments and the quarterly revaluation under the European Currency Unit swap arrangements, the underlying drop in April was $26m.

This change is the result of a number of transactions—for example on behalf of government departments and with other central banks—as well as intervention.

The small underlying drop does, however, imply that action to check the decline in sterling was limited though some intervention may have cancelled itself out within the month.

The other main influences on the reserves in April included new borrowing under the exchange cover scheme of $100m by the Electricity Council. Repayments of borrowings, again principally by the Electricity Council, amounted to $372m.

The British Government also repaid $77m of the International Monetary Fund oil facility.

The published reserves figure was also boosted by $229m as a result of valuation changes arising out of the quarterly rollover of the European Currency Unit swaps.

This rollover entails a valuation increase because the European Monetary Co-operation Fund (part of the European Monetary System), with which the UK swapped 20 per cent of its gold and 20 per cent of its dollars for European Currency Units, values gold at a higher price than gold is valued in the official reserves.

UK NEWS

Car manufacturers' advertising has little effect on average buyer, survey suggests

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

CAR ADVERTISING and the efforts of motoring writers seem to make little impact on the average private car buyer.

Research by a team from the Cranfield Institute of Technology's Centre for Transport Studies shows that not only are car buyers highy conservative, but they also show a surprising level of ignorance of, or indifference to, many of the things manufacturers spend heavily to advertise.

Modest financial backing from the Government-sponsored Social Science Research Council enabled the Cranfield team, headed by Dr. John Towriss, to study the attitudes and beliefs behind the private motorist's choice of a new car.

Not surprisingly, concern about fuel economy topped the list of things looked for in a new car. About 75 per cent of new car buyers questioned mentioned this.

But the message that depreciation is the major factor in the cost of owning a new car has failed to get through. Only 6 per cent of those interviewed mentioned "good trade-in value" as a reason for choosing their car.

Reliability was second on the list with 40 per cent of those interviewed mentioning it, followed by comfort (37 per cent), appearance and styling (21 per cent), and value for money (21 per cent).

Speed-related performance did not figure very highly, getting a 17 per cent response.

The industry's assertion that "safety never sold a single car" is well-supported by the results. Only 5 per cent mentioned "good visibility" and a mere 3 per cent considered good road holding and good brakes a vital factor in their choice.

Only 59 per cent of the would-be buyers had referred to a magazine or newspaper when deciding about the car to buy.

This could explain why so many apparently knew nothing about other models competing with the cars they had decided to buy.

Only sixe out of ten non-Fiat buyers knew about competing Fiat models and only five out of ten non-Datsun buyers about the Datsun cars. But nine out of ten of those interviewed knew about the particular Ford or BL models in the range they were looking at.

The research was carried out over ten successive Saturdays following the 1980 Budget, and covered 121 private buyers of small and medium-sized cars. The survey was broad enough, according to Dr. Towriss, to reflect attitudes in provincial towns in England with the possible exception of those where a car manufacturere is a large local employer.

Scrap metal merchants want pricing re-ordered

By Roy Hodson

SOME LEADING companies in the ferrous scrap industry are pressing for a more orderly pricing structure. In practice this would mean understandings between companies to refrain from undercutting each other.

The proposed restructuring of a traditionally free and independent trade will be fiercely debated at the annual meeting of the British Scrap Federation at Grange-over-Sands, Lancs., this month.

A first step towards a structured market for scrap was taken when the British Steel Corporation appointed a group of primary suppliers, now numbering 17, in the 1970s. This created a hierarcy overnight in the industry. Its reverberations are still felt.

Some companies believe the time is ripe for more restructuring of the £300m-a-year trade. They claim that radical restructuring of the private and public steel sectors now taking place, encouraged by plans of Mr. Ian MacGregor, chairman of BSC, for more "privatisation," should be matched by big changes in the scrap industry.

Scrap exporters want measures in the industry to avoid money-losing competition for exports.

The industry had an overall loss last year because of depressed home demand and poor export prices. They expect conditions to worsen because of a looming EEC surplus of ferrous scrap.

Any move for market regulation would have to get past EEC competition rules.

Oil majors threaten pipeline plan

BY SUE CAMERON,

A NEW threat to the planned £2.7bn North Sea gas-gathering pipeline has come from some of the major oil companies which say they may refuse to develop the gas condensate fields needed to make the scheme viable. Condensate fields are those which do not contain crude oil.

The oil companies claim that the British Gas Corporation is not offering them a high enough price for the natural gas from the condensate fields to make development worthwhile.

But industry experts believe the Government will use legal powers to force the companies to develop the fields if the oil majors try to put their threats into practice. Under the Petroleum and Submarine Pipelines Act the Government can require a company to submit development plans for a commercial oil or gas field. If the demand is ignored, the Government can serve its own development plans on the company and if no action is then taken the oil group's licence can be revoked.

Experts say condensate fields could ultimately account for as much as 50 per cent of the gas flowing through the planned new pipeline. The rest of the gas will come from oil fields where it will be produced in association with crude.

The Government will not normally allow companies to flare gas — burn it — because this is wasteful. Companies wanting to develop profitable oilfields will therefore have little option but to send the associated gas through the planned new pipeline — and this puts British Gas in a strong position when it comes to negotiating the price of the gas.

Although condensate fields contain no crude as such, they contain the natural methane gas used to heat offices and homes plus liquid petroleum gases — LPGs. These can be used as raw materials for making petrochemicals.

For technical reasons, the natural gas has to be reinjected into the condensate fields until all the liquids have been removed, and this is expensive. The oil companies cannot, therefore, obtain a speedy return on their investment because they have to wait some years before they can produce and sell the natural gas — the liquids alone do not provide an adequate return.

The oil companies are understood to have warned British Gas that they will develop the condensate fields only if the corporation gives them the equivalent of the crude oil price for the natural gas. This is thought to be far more than British Gas is prepared to offer —and considerably more than the going rate for natural gas in most world markets.

Some experts are taking the oil companies' threat not to develop the condensate fields seriously. They point out that, if the oil companies stood together, the Government's legal powers under the Petroleum and Submarine Pipelines Act would be little use, because everyone would refuse to develop the fields.

Others believe the oil companies' threat is merely a negotiating ploy designed to squeeze a higher gas price out of British Gas. But even if this is the case, the financing of the new gas gathering pipeline depends initially on throughput contracts being agreed. The oil companies' stance could therefore add to the delays which the project is already suffering over finance.

Meanwhile British Gas is believed to be taking a sympathetic line over the particular problems of financing the development of condensate fields. The corporation is apparently adamant that it will not offer the oil companies the equivalent of the crude oil price for gas from these fields but it is thought to be looking at a number of alternative possibilities including:—

- A two tier pricing scheme with different rates for condensate gas and associated gas.
- A scheme for forward buying of gas from the condensate fields.
- A deal under which the oil companies would sell the corporation the condensate field gas "in place"—before it had been extracted.

Discoveries which could be fed through the new pipeline and which have been or are likely to be assessed as condensate fields are thought to include the Lomond, Brae and Bruce fields and a number of blocks such as 9/19.

Gas from rubbish tip fires brick kiln

BY MAURICE SAMUELSON

A new and potentially large source of cheap fuel was tapped in Britain for the first time yesterday when gas from municipal waste was used to fire a kiln in the UK's biggest brick works.

The gas is being tapped from five wells in the 180 acre landfill site beside London Brick's Stewartby works in Bedfordshire, which makes 13m bricks a week. If successful, the scheme will be widened to replace much of the 150,000 tonnes of coal used yearly in the company's kilns in various parts of the country.

The £100,000 scheme is the outcome of co-operation between London Brick, the Waste Research Unit of the Atomic Energy Authority at Harwell, and the Department of Energy's technology support unit, which paid half the development costs.

Mr. Derek Campbell, a Harwell scientist, said methane production from landfill sites in Britain was a valuable energy resource. The country's 20m tonnes of domestic waste could produce 4bn cubic metres of gas a year, equal to 5m tonnes of coal.

The first gas is being used in a small kiln and replaces 2¼ tonnes of coal to fire 50,000 bricks each week. But the site contains enough gas to meet the needs of the entire brickworks for the next 25 years and generate power for a nearby housing estate.

The gas, more than 50 per cent methane, comes from a former clay pit which is being packed with household waste from the London boroughs of Camden, Brent and Barnet. The Greater London Council is considering a similar scheme at a tip at Aveley, Essex, where residents have complained about the possibility of methane fumes. The London Brick scheme is believed to be the first to come on stream in the UK.

In the U.S. 11 landfill sites, most of them in California, are providing gas for industry and buildings, and another 30 schemes are expected to start up in the next 18 months.

Newsprint prices may rise by up to 15%

By William Hall, in Norrkoping, Sweden

UK NEWSPRINT prices are likely to rise by between 10 and 15 per cent later this year.

North American producers have announced a 6 per cent increase in their domestic price. West European prices are expected to rise by a somewhat larger amount.

The timing and extent of the increase have not yet been fixed. Scandinavian producers, who supply half of Britain's newsprint, are waiting to see the size of the increase in Canadian newsprint prices in the UK, the world's third largest market for newsprint. The standard price of Swedish newsprint in the UK is £270 a tonne.

Mr. Jacques de Laval, deputy sales manager of Holmens Bruk, one of Scandinavia's largest newsprint producers, said yesterday that price rises were necessary because of the increase in Scandinavian costs.

The expected rise in UK newsprint prices would come at a difficult time for the UK newspaper industry. UK consumption fell by 3 per cent last year to 1.3m tonnes. It is expected to fall by 5 per cent in the current year despite the launch of several new publications.

Circulation in the second half of last year was 2 per cent lower for the popular national dailies. For the Sunday papers it was 6 per cent lower, according to statistics supplied by Holmens Bruk.

Because several UK newsprint machines have closed over the last year foreign newsprint suppliers are planning to raise their share of the UK market substantially.

Increased business interest in Liverpool

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

INQUIRIES about industrial, commercial and financial facilities in Liverpool rose sharply last month. Figures released yesterday by Liverpool Development Agency, the city council body responsible for stimulating business development, show the number reached 940 during the month, a 25 per cent rise on the 750 recorded in March.

Mr. David Mowatt, the agency's industrial development officer, said the rise reflected the sudden surge in the FT index. "We have noticed in the past there is a correlation between the index and the number of inquiries about the city.

"There is a greater degree of confidence about Liverpool and that is beginning to show in the number of calls we are getting. What is particularly interesting is that one in ten of those inquiries came from new clients. Four companies actually moved into sites during April."

Some of the inquiries related to the enterprise zone which has been allocated to the city at Speke, near the airport. Although the zone is one of the smallest of the 11 in the UK, at 335 acres, and has a high proportion of standing buildings, it has generated considerable interest.

One company is understood to be looking seriously at BL's former Standard Triumph works, which has 1m sq ft of space. A 25,000 sq ft advance factory on the English Industrial Estates estate, also within the zone, is under offer and a second, smaller plant is "under discussion."

The former Dunlop works, also approaching 1m, sq ft, will probably have to be levelled before it can be developed. The other problem facing the agency is that the 54 acres of the zone are part of the airport and unserviced and will be costly to develop to the point where a potential industrialist would consider building a factory.

Technically, the enterprise zone is still going through the legal stages required before it can enter into contracts with clients. Representations are being invited from any interested party. This process should be completed by August and the zone should be in operation by September.

Policy has ruined textiles

BY RHYS DAVID, TEXTILES CORRESPONDENT

GOVERNMENT policies aimed at defeating inflation have had a devastating effect on the textile industry, Mr. Leonard Regan, president of the British Textile Confederation, claimed yesterday.

Writing in the Confederation's annual report for 1980, Mr. Regan, a former chairman of the Carrington Viyella, says the result of strong sterling and high interest rates had been a major and permanent reduction in the industry's capacity and the loss of many thousands of jobs. "The toll will continue unless there is further easement on both fronts," he warned.

The report catalogues a 22 per cent drop in textile output in the last quarter of 1980, a drop of 121,000 in employment and over 200 mill closures.

The report is also strongly critical of the lack of EEC action to curb exports of textiles from the U.S. to Britain.

Isle of Grain dispute over

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE LONG-RUNNING inter-union dispute at the Isle of Grain power station construction site now appears to be over after more than 18 months.

Mr. John Baldwin, general secretary of the Amalgamated Union of Engineering Workers construction section, said that a mass meeting of his union's members at the site had voted overwhelmingly for the TUC's formula for the power station, which was a precondition for work to continue.

Mr. Baldwin said that the mass meeting would now preempt the ballot, organised by the site's contractors and its client, the Central Electricity Generating Board, which asked the site's 1,300 workers if they were prepared to accept the TUC formula.

Mr. John Baldwin, leader of AUEW construction section

The CEGB last night confirmed that the mass meeting had voted for the formula, and that the ballot conducted by the Electoral Reform Society, would now be "academic."

The future of the station, and of the TUC formula, has been in the balance for the past month because a section of the workforce at Grain had refused to accept the redeployment of trainees insulation engineers, or laggers, from the now almost completed unit one to the new unit four.

The trainees had taken the jobs of members of the General and Municipal Workers Union, the traditional organiser of laggers, following their refusal to accept a new pay and bonus structure 18 months ago.

Shop stewards at the site had argued that the 600 workers made redundant early last year should have the first opportunity to apply for jobs on unit four, before the trainees.

The CEGB had said that if it could not get agreement from the workforce on redeployment, it would not begin work on unit four. Unit two is already completed, unit one is a few weeks from completion and unit three is now within sight of completion.

If the decision by the engineering construction workers is ratified by other unions, the agreement will mark the end of a dispute which saw both the AUEW and the Electrical and Plumbing Union within a hair's breadth of expulsion from the TUC, and has consumed enormous quantities of TUC officials' time in attempting to find a settlement.

The issue has also soured relations between the GMWU on the one hand and the AUEW and the EPTU on the other, and was a major issue behind the scenes of last year's TUC conference.

Vauxhall unions call for industry rescue

FINANCIAL TIMES REPORTER

UNIONS representing more than 1,000 white-collar workers at Vauxhall's Ellesmere Port, car factory in Cheshire, yesterday urged the Government to act to prevent the British motor industry from losing its manufacturing base altogether.

Otherwise, they believe that the privately-owned section of the home industry will end up as a minor network of plants assembling vehicles from foreign-made components.

To try to check this decline, representatives of the white-collar unions at the plant have formed themselves into the Vauxhall Trade Union Liaison Committee.

The committee has been working with the North West group of Labour MPs and they have met Mr. Michael Marshall, the Under-Secretary of State for Industry.

Similar moves which come against the background of massive job losses, are being made by white-collar workers at Vauxhall's other two factories in Luton and Dunstable.

Management is in the midst of reducing its hourly paid pay roll at Ellesmere Port by 2,800, at Luton by 1,600 and at Dunstable by 950 through early retirement and voluntary redundancy schemes.

In addition, 195 staff members are leaving at Ellesmere Port and 155 at Luton. Last year, the staff was reduced by 1,000 at the three plants.

Mr. Ken Munslow, ASTMS senior representative at Ellesmere Port, and Mr. Doug Ellison, the past convener at the plant where there are about 5,000 workers, said: "This is not just a Vauxhall problem. It affects the whole British industry. We manufacture 4,000 Chevettes a month. From November, we will also be assembling the Astra."

Civil servants to cause further disruption at airports

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE civil service unions yesterday predicted further widespread disruption to Scottish airports today, and Heathrow and Manchester airports tomorrow.

They have also successfully closed down the *Driver and Vehicle Licensing Centre* computer in Swansea, which will progressively delay licence applications and police inquires.

However, British Airways and the Civil Aviation Authority claimed last night that the action taken by air traffic controllers at the *Scottish Air Traffic Control Centre* at Prestwick caused "minimal disruption."

British Airways said that only the early shuttle services, and the 11.15 am shuttle from London to Edinburgh had to be cancelled. Other internal shuttle flights were delayed.

Today's action will be taken by air traffic control staff at the Scottish airports, and it is expected that five Scottish internal flights and the first shuttle to and from Edinburgh and London and the Inverness to London flight will be cancelled. Long haul flights are not expected to be affected.

The action tomorrow by control staff at Heathrow, however, is likely to cause the cancellation of 101 of the planned 200 short haul flights between 7.30 a.m. and 2.30 p.m. There may also be cancellations of long haul flights and widespread delays.

The closure of the Swansea licensing centre from midday yesterday is regarded as a considerable coup by the unions. The 12 maintenance workers at the centre have been on strike for some days, which meant that the computer overheated and had to be shut down for an indefinite period.

The Swansea computer handles about 30,000 applications for vehicle licences each day. However, the Ministry of Transport said it expected the action would initially only affect the 10,000 applications each day for provisional licenses.

Pickets were on duty at the gates of Gloucester Prison yesterday as administrative officers there went on strike. They joined colleagues at Bristol's Horfield Prison, who have been on strike for more than a fortnight.

Court appearances at Bristol have been disrupted because administrative officers control the transfer of prisoners.

Crane plant peace move is rejected

Financial Times Reporter

THE STRIKE by 600 production workers at the Acrow Group's crane and excavator plant of Priestman Brothers of Hull is to continue. The men rejected the company's union-supported back-to-work formula at a mass meeting yesterday.

The six-week-long strike began when the company posted notices warning of 10 per cent redundancies and a pay freeze because of the recession which had already put production on a four-day week.

The men complain that they were not consulted over the decisions.

The company has warned that the redundancies cannot be helped by the strike continuing and it is expected that the company's offer of volunteer redundancies, consultations and Bank Holiday pay will be withdrawn.

Engineering plant pay talks

PAY TALKS were going on yesterday at two leading engineering companies in Ipswich.

At Cranes, where 150 men have been on strike, unions and management discussed a 7 per cent pay offer which has been rejected by part of the workforce.

Pay talks were also held at Ransome Sims and Jefferies. Unions claim their last pay rise has been completely eroded by inflation and the shorter working week.

Seamen win overtime rate demand

BY PAULINE CLARK, LABOUR STAFF

BRITISH seamen, who early this year embarked on five weks of industrial action over demand for overtime rates to pay, have won their primary be paid at time-and-a-half to bring them in line with rates paid in shore-based industries.

Butthe results of independent arbitration published yesterday fell far short of meeting the original demands of the National Union of Seamen—costed at 35 per cent by employers—and deferred full implementation of the overtime rate increases until January next year.

The three man arbitration panel, convened under the umbrella of the Advisory Conciliation and Arbitration Service, at the same time expressed deep concern over the high amount of overtime worked by seamen—a problm emphasised by the union throughout the dispute—and recommended that union and employers urgently examine ways of reducing long working hours.

The award, which provided for all overtime worked by seamen on Saturdays and Bank holidays to be raised from time and a quarter to the new rate from September, was estimated yestrday to add another one per cent to the interim 12 per cent deal reached for this year between the NUS and the General Council of British Shipping ahead of arbitration.

But the panel ruled that the new overtime rate should not be applied to weekdays until January 1, 1982—one day before the seamen's next wage round begins—and that the rate should apply only after the first two hours overtime worked each day.

The arbitrators also turned down the union's claims for consolidation of efficient service payments and for double time pay for overtime worked at weekends and Bank holidays. Both of these demands figured high in the seamen's original list.

The award received a lukewarm reaction from both sides yesterday. However, Mr. Jim Slater, general secretary of the NUS, described the achievement of time and a half payments raised from the current time adn a quarter as "a milestone" in the union's recent history of difficult pay negotiations.

He estimated that from January next year, seamen who continued to work current levels of overtime would receive a 16 per cent earnings rise.

The union would from next year be able to concentrate on pursuing increases in basic rates for seamen raised from £64 to £70 a week as a result of this year's incresaes. He hoped higher overtime payments would lead quickly to a reduction in long working hours.

The arbitration results, Mr. Slater said, did not give the seamen as much as they wanted. But it "justified the argument we made all along that there was substance in our claim worthy of consideration by independent arbitration." The panel had clearly not upheld the employers' statement that the interim award was "entirely adequate."

The GCBS yesterday welcomed the arbitrators' report for having recognised the financial problems facing shipowners. It estimated that, from 1982, the cost over the full year if working patterns were unchanged would amount to an extra 4½ per cent.

It also welcomed other recommendations in the report that there should be a joint exercise to establish the patterns of overtime in the industry and to identify areas where overtime could be reduced. Employers further approved a suggestion that the application of the new premium rates in areas such as passenger shipping, where there were special difficulties, should be negotiated separtely between individual companies and the union.

The GCBS reiterated its view that any increase over 9 per cent this year could lead to the loss of jobs and ships.

Shipyard workers study further action

BY OUR LABOUR CORRESPONDENT

LEADERS OF Britain's shipbuilding unions meet today to decide whether they will call for an intensification of industrial action at British Shipbuilders.

The shipbuilding negotiating committee of the Confederation of Shipbuilding and Engineering Unions threatened two weeks ago that it would consider "all out industrial action" at its meeting today, if British Shipbuilders did not withdraw its letter of redundancy to 106 shipyard workers.

Over the past two weeks, the unions have operated an overtime ban among the 70,000-strong workforce. British Shipbuilders said last night that it had no reports of serious effects as a result of the action.

The corporation has not withdrawn redundancy notices, and has not called for further talks with the unions. The issue is seen as one of principle beyond the comparatively small number of workers involved.

However, it was unclear last night how many further redundancies the company would require to reach its stated target of 2,100. The figure of 106 was first mooted two weeks ago, since when it is assumed there have been further voluntary redundancies.

The meeting of the Confederation of Shipbuilding and Engineering Unions will be lobbied by shop stewards from the yards, who will be pressing for an all-out national strike.

● The shipbuilding managers' union, SAIMA—a section of the Engineers and Managers Association—has decided to support the confederation overtime ban.

Cargo handling disrupted again

By Our Labour Staff

CARGO SHIPPING in the Port of Southampton was dirupted again yesterday with no sign of an end to the dockers' pay dispute which affected passenger liners for the first time over the holiday weekend.

For the second week running, more than 1,600 dockers in the port are working only one-day shift following a breakdown in talks with the British Transport Docks Board over claims for a basic wage of £120 a week comparable with non-registered docks staff.

Duffy plea to avert white collar merger row

By Philip Basset, Labour Staff

MR. TERRY DUFFY, president of the Amalgamated Union of Engineering Workers, yesterday made a strong appeal to TASS, the white collar section of his union, to lift its writ against rule changes of the union's engineering section which it has served because of their impact on the long sought amalgamation of the loosely federated AUEW.

TASS is seeking an injunction against the rule changes proposed by the engineering section because it fears that their effect will be to relegate TASS to a subordinate role in an enlarged national conference of all the AUEW sections.

Central to the engineering section's constitutional changes is an enlargement of its own policy-making national committee from 52 to 91 delegates, which would have a corresponding effect on the full national conference. The enlarged national committee is meeting in Eastbourne this week.

However, the engineering section has now offered not to send 91 delegates to the national conference but to limit the number to its original 52 seats in a compromise effort to get the national conference under way.

Mr. Duffy, speaking yesterday after a debate on the issue, said that following this offer TASS should now lift its application for an injunction.

To meet the offer proposed by engineering section leaders, though, representatives of the engineering section's 27 divisions will have to decide which two of the present three representatives from each division should go to the national conference.

TASS has offered to meet the engineering section for further discussions on the issue only if the section agrees that it should not put into effect the increase in size of its national committee; that the section should comprise only 52 delegates; and that the national conference should have only 52 engineering section representatives.

Sir John Boyd, general secretary of the engineering section, said that these proposals were "impossible." TASS was "doing its damnedest to sabotage an honest endeavour to progress our policy to amalgamate with other sections," he said.

UK NEWS — PARLIAMENT and POLITICS

Thatcher supported on 'no political status for terrorists' stand

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT


Duffy: launched a bitter attack on the Government's policy

THE PRIME MINISTER received widespread support in the Commons yesterday following the death of hunger striker Br. Bobby Sands when she underlined the Government's determination to refuse political status to convicted terrorists in the province.

Mr. Michael Foot, Leader of the Opposition, gave his backing to the Government despite some mutterings of dissent from a minority of Labour MPs.

But there was loud cries of protest from the Conservative benches when Mr. Pat Duffy (Lab., Sheffield Attercliffe), a former vice chairman of the PLP Northern Ireland group, launched an extremely bitter attack on the Government's policy.

Mr. Foot and other Labour front benchers looked embarrassed as Mr. Duffy said that one of the difficulties about Ireland had always been that there was too much "me toois" on the subject in the House of Commons.

There was a widespread impression overseas, shared by the New York Times, that the death of the elected member for Fermanagh and South Tyrone had been due to Mrs. Thatcher's intransigence.

Mr. Duffy said the Prime Minister had appeared hard and unfeeling or firm adn determined. He Government's moral bankruptcy could now be seen by growing bodies of opinion in neighbouring countries whose comments were flowing in hourly.

She had shown the "colossal criminal incompetence" of all Conservative governments in their dealings with Ireland.

Mrs. Thatcher replied sharply: "As far as the Government is concerned, we are on the side of protecting the law abiding and innocent citizens and shall continue in our efforts to stamp out terrorism.

"Mr. Sands was a conviceted criminal. He chose to take his own life. It was a choice his organisation did not allow to many of their victims."

There were cheers when Mr. Foot said that in his view, and that of the vast majority of MPs, the central question concerned the conceding of political setatus.

"That cannot be done without the Government giving sure aid to the recruitment of terrorists. If it were conceded it would greatly increase the numbers who would be encouraged to join. That woul dmean a great increase in the number of innocent people killed.

"We believe that matters in Northern Ireland and all parts of this country should be settled democratically and not at the point of a gun."

Mrs. Thatcher agreed and told him: "To concede political status would be a licence to kill innocent men, wome nand children and this way we shall never concede that status."

She emphasised this even more strongly when Sir John Eden (C., Broadmouth West) urged her to make clear to friendly governments—including Mr. Haughey, Prime Minister of the Irish Republic, and President Reagan of the U.S.—that they had a direct interest in the defeat of terrorism. They should be seen to be helping her in the stand she had taken against terrorism in Northern Ireland.

The Prime Minister assured him that the Government would never grant political status to convicted criminals "no matter how much hunger striking there may be."

Mr. James Kilfedder (Ulster Progressive Unionist Down North) said the fact that people would not respond to the vicious propaganda of the IRA was partly due to the strong and unequivocal attitue of the Government and the House of Commons.

But he also complined that there were foreign TV crews in Northern Ireland who were putting out the wrong version of what was happening. Some were paying youths to throw *stones at the security forces* and then filming them for programmes which were put out abroad.

Mrs. Thatcher agreed with Mrs. Jill Knight (C., Edgbaston) that in a democracy people had every opportunity to pursue their objectives by peaceful means and it was only those who rejected this who used terrorist methods.

Lawson attacked on income tax indexation

BY IVOR OWEN

MR. NIGEL LAWSON, the Financial Secretary to the Treasury, was the *main* target of a sustained Opposition attack in the Commons last night on the Government's failure to index income tax thresholds in the Budget.

Liberal and Social Democratic MPs joined in supporting a Labour amendment to the Finance Bill which sought to remit £2¼bn in taxation by uprating personal tax allowances by 15 per cent to take account of the level of inflation in the preceding 12 months.

The Financial Secretary was repeatedly *reminded of his* central role in giving legislative effect to the principle of indexation in the so-called Rooker-Wise-Lawson amendment on which the Labour Government was defeated during the passage of the 1977 Finance Bill.

Mr. Robert Sheldon, who led the attack from the Opposition front bench, recalled how at that time Mr. Lawson argued that indexation would restore truth to taxation.

The March Budget had brought the "ultimate reality" with the lower paid and the old being the hardest hit victims of the Government's failure to increase personal allowances.

Mr. Sheldon stressed that even before legislative effect was given to indexation, all Chancellors had taken at least some action in the Budget to adjust tax thresholds to allow for the effects of inflation.

In the last Budget the Chancellor had not even tried to *use a "fig leaf"* to meet his obligations.

In abandoning its election pledges on indexation the Government had not only denied single people and married couples the increased allowances which had had been entitled to expect, but had widened the tax net to include some women pensioners in the 60 to 64 age group for the first time.

Condemning the Chancellor's refusal to raise the age allowance, Mr. Sheldon declared: "Not to give anything at all to old people is one of the most shameful aspects of a shameful Finance Bill."

Mr. Richard Wainwright (L., Colne Valley) argued that the restoration of £2¼bn to demand in the economy was a necessity at the present time. If the Chancellor were to bring this about by honouring the Government's commitment to indexation there should be no question of finding any alternative sources of revenue.

Mr. John Horam (SDP, Gateshead), mainained that it would have been preferable for the Government to have increased the standard rate of income-tax rather than to fail to index tax thresholds.

He contrasted the Government's claims made at the time of the last election to be able to reduce taxation with the fact that there had been a real increase in the total tax burden over the past two *years*. Mr. Horam declared: "There is no doubt at all that there has been a substantial increase in the real burden of tax and the Government is compelled to admit it."

Mr. William Hamilton (Lab., Central Fife) alleged that Mr. Lawson had been "corrupted by office."

There was no doubt, he said, that the Financial Secretary was doing something different as a Minister to what he said he would do when a *Conservative* Treasury spokesman in Opposition.

Mr. Hamilton told Mr. Lawson: "You have got something to answer for — I hope you are going to be frank with the House, although knowing your record I suspect that you will not be."


Sheldon: recalled that in 1977 Mr. Lawson had argued that indexation would restore truth to taxation.

Tax help for traders hit by VAT delay

By John Hunt, Parliamentary Correspondent

ARRANGEMENTS have been made to help traders severely hit by delays in VAT repayments caused by the industrial action in the Civil Service, Mrs. Margaret Thatcher told the Commons yesterday.

The Inland Revenue had agreed not to press for collection of PAYE where a company was in difficulty because it was *awaiting its VAT repayment*.

In addition, the Inland Revenue would give companies' bankers a certificate to show the amount of VAT repayments which were due.

There were now 500,000 claims for such repayments pending. "This is an example where those in the Civil Service on strike are deliberately attacking many small firms."

She hoped the civil servants would soon desist in their action, because "if we don't have profitable business, then we certainly can't have a well-paid Civil Service."

The arrangements to help businessmen were made after she got in touch with the Treasury, the Inland Revenue and the Ministers concerned, said Mrs. Thatcher.

The gravity of the situation facing small businessmen as a result of the Civil Service action was illustrated by Mr. Michael Brotherton (C., Louth), who raised the matter with the Prime Minister at Question Time.

He said that a small firm in his constituency was owed £37,000 in VAT repayments, and this would shortly rise to £40,000.

Mr. Brotherton assured Mrs Thatcher that there was wide support in the country for the firm stand the Government had taken on the Civil Service dispute.

Tory move to tighten law on closed shop

BY ELINOR GOODMAN, LOBBY CORRESPONDENT

CONSERVATIVE backbenchers are planning to draft detailed proposals to tighten the law on closed shops. This is the latest stage of their campaign to persuade the Goverment to introduce further legislation to control the trade unions in the next session of Parliament.

The sponsors of a Commons motion calling for tougher laws on the closed shop are to meet soon to produce proposals before the end of June, when the period for consultations over the Government's Green Paper on trade union immunities will end.

Last night the sponsors, all Tories—including three former ministers — formally tabled their motion which has now been signed by 110 Tory MPs. This represents the considerable body of Conservative backbench opinion, as ministers and parliamentary private secretaries do not sign motions of this kind.

If—folowing Labour gains in this week's local elections—more local authorities try to enforce closed shops, Mr. James Prior, the Employment Secretary, could find it difficult to resist pressure for, at the very least, limited changes to the closed shop legislation.

The motion is also aimed at stiffening the resolve of the Confederation of British Industry over the closed shop, and at encouraging companies to withstand demands to take only union labour.

The motion has been deliberately worded to appeal to MPs in the Centre of the party as well as those on the Right who want a more radical overhall of trade union immunities.

For this reason, it has the support of Left-wingers like Mr. Robin Squires and Mr. Peter Bottomley, as well as Right-wingers like Mr. George Gardiner, and senior backbenchers like Mr. Edward Du Cann, the chairman of the 1922 Committee.

It begins by congratulating the Government on the steps it has taken so far in the Employment Act, and goes on to urge it to respond "to the wishes of the majority by engaging the support of British industry, commerce and public *authorities for the introduction* of amendments to the existing law which would permit employees to obtain and retain jobs irrespective of trade union membership and be consistent with Article 2 of the European Convention on Human Rights."

The sponsors, led by Mr. Gerry Neal, say they are looking for "fine tuning" of the law rather than a major new Bill dealing with the wider question of trade union immunities.

The kind of change they will be discussing over the next few weeks is the possibility of insisting on balance among the members of closed shops agreed before the Employment Act came into force, and the question of whether compensation should be increased for employees sacked because they do not belong to trade unions.

Foot calls for social contract

By Philip Basset, Labour Staff

THE PROSPECT of a renewed social contract in the form of a "full understanding" between the political and industrial wings of the Labour movement *was held out yesterday* by Mr. Michael Foot, Labour Party leader.

Speaking to the policy making national committee of the Amalgamated Union of Engineering Workers, Mr. Foot also repeated his call—made at a number of union conferences—for unity in the party over the leadership elections.

Mr. Foot restated the programme of trade union legislation introduced by the 1974 Labour Government in return for agreement with the unions over pay.

When there was an agreement, he said, it was "not only a benefit to the unions and to the Labour Party, it was of incalculable benefit to the nation as a whole." When there was no agreement, "it was a tragedy for the nation as a whole.

"This points the way to what we have to achieve in the *future. We have to secure once* again a full understanding between the political side of the movement and the industrial side."

Alliance

Mr. Foot said the stronger an alliance that could be forged the better were the chances of a return of a Labour Government at the next election and the prospect of that administration's success.

He was sharply critical of the present Government for refusing to talk to the unions. It was impossible for a democratic government to think that the country's economic affairs could be conducted on the basis of a war between the Government and the trade unions.

On the issue of the deputy leadership of the Labour Party, Mr. Foot made no direct reference to Mr. Tony Benn's candidature, but he said he still thought that much the best procedure at the Brighton Party conference in the autumn would be that there should be no fresh elections.

He said: "I hope the new conference will settle the question, and settle it in a way that will allow us to get on with the tasks" of preparing for the challenge of opposing the Government's policies.

He stressed there were alternatives to those policies, and said that the Labour movement was ready to come to the rescue of the nation as it had done before.

Attempt to abolish 'City' is defeated

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

A LABOUR MP's attempt to introduce a Bill abolishing the Corporation of the City of London and trasferring its functions and resources to adjoining boroughs was defeated in the Commons yesterday by a majority of 81 (236 to 155).

"It is clear that the City of London is well behind the times," said Mr. Alfred Dubs (Lab., Battersea South). "This Bill is directed against privilege. Its intention is to give the City of London the same type of democratic Government that the rest of the country has had for many years."

Opposing Mr. Dus's proposal, Mr. Tony Durant (C., Reading North) denounced it as a "*blatant political move*" introduced because of the GLC elections on Thursday. He urged MPs to vote against this "mean little measure."

Mr. Dubs said that in the borough elections next year people would be enjoying a democratic process denied to those living in the City of London.

"This Bill is about democracy —doing away with the patronage and privilege and having democratic local government," he said.

Mr. Dubs said the vast majority of those on the voting list in the City were there because they owned or let business premises. Of the 25 wards, 22 had more non-resident than resident electors. Women scarcely appeared on the voting lists. In two wards there were only four women voters.

There was scornful Conservative laughter, when he said the City should be split up between adjoining boroughs and that his inclination was for a merger with Tower Hamlets.

Labour foreign aid pledge

BY MARGARET VAN HATTEM

THE NEXT Labour Government will substantially boost aid to Third World countries, Mr. Michael Foot, Leader of the Opposition, said yesterday. Goods for the Third World financed by this aid would continue to be supplied by British firms.

Addressing the Fight World Poverty lobby, which met at Westminster yesterday to press for support for the Brandt Report, Mr. Foot outlined Labour's six-point programme for overseas aid.

Labour in office would give *priority to achieving the UN* target of official aid, 0.7 per cent of GNP. Britain's contribution has fallen significantly below this figure in recent years, averaging about 0.45 per cent and in 1980 falling to 0.34 per cent.

The Ministry of Overeas Development, which under this Government has been subsumed into the Foreign and Commonwealth Office, would be restablished as a separate Ministry with wider powers and more resources than under the last Labour Government.

It would ensure that aid spending was based on needs of the poorest groups in the Third World, and not on political, industrial or commercial considerations, said Mr. Foot.

This contrasts with the present Government's policy, largely based on political and commercial considerations, and with Mr. Foot's commitment to ensuring that aid contracts go to British firms.

Rejecting the EEC aid policy, he said Labour would promote a trade policy with special concessions for the poorest countries, particularly in the Indian sub-continent.

It would encourage a crash programme of food production in the poorest countries and support measures for international emergency food reserves, with special aid for countries to buy and store grain.

SDP to see Liberals for policy talks

THE LIBERALS and the Social Democratic Party are to meet in about a week to begin discussions on policy issues.

The SDP said yesterday that it would propose to the Liberals that "representatives of both parties should meet to identify the key issues which are significant for the future of the country, and which would be among the highest priorities for a Government that their parties formed."

The Liberals immediately welcomed this move as "a significant step forward."

So far, meetings between the Liberals and Social Democrats have been confined mainly to a *discussion of arrangements for* Parliamentary business.

Mr. David Steel, the Liberal leader, will lead his party's delegation. The four founding members of the SDP—Mr. Roy Jenkins, Mrs. Shirley Williams, Dr. David Owen and Mr. William Rodgers—will lead their team.

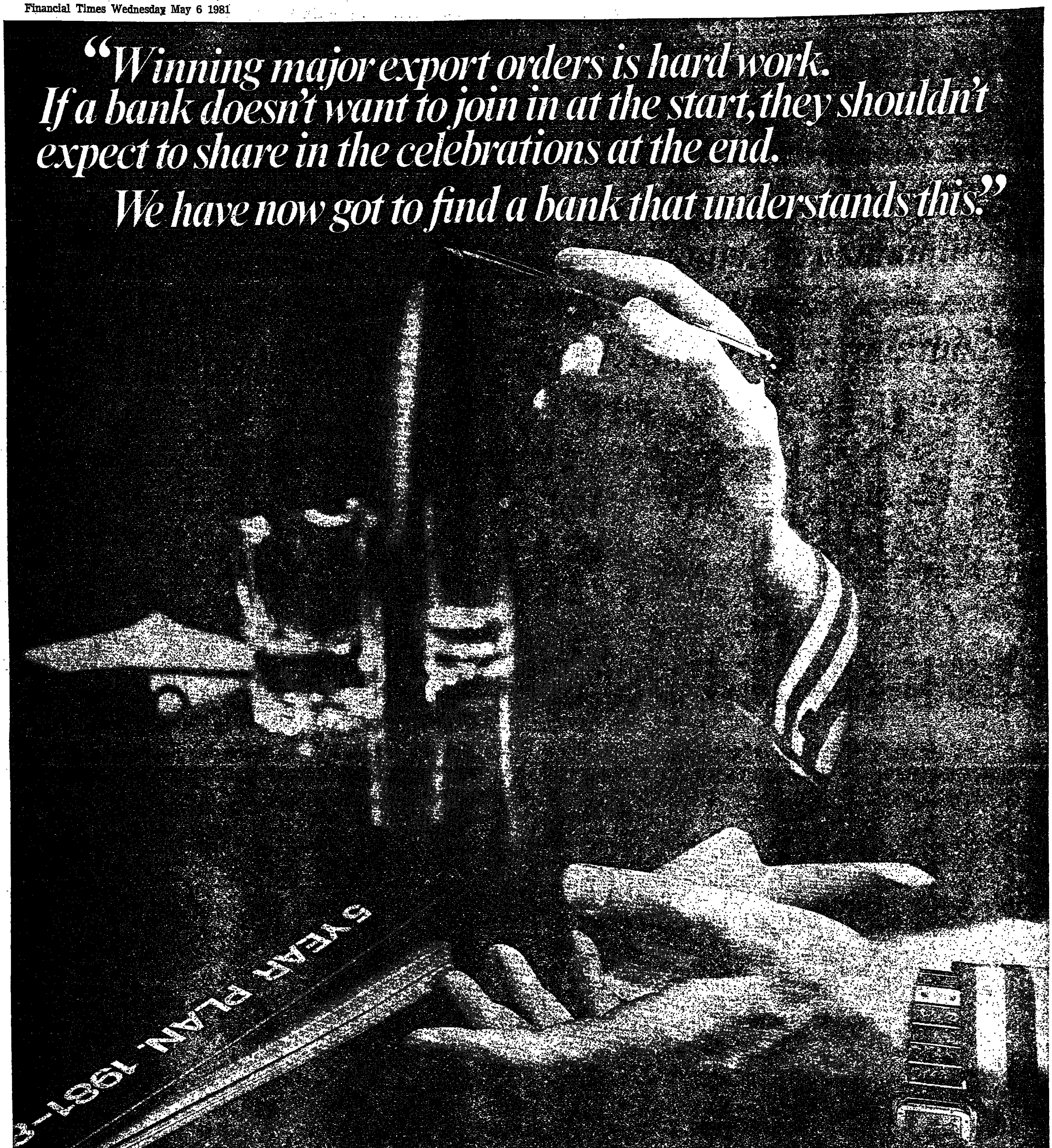
The main issues under discussion will almost certainly be the economy, industrial and social policy, and probably the Common Market and defence.

Today in Parliament

Commons—Finance Bill, committee stage (until about 7 pm). Supreme Court Bill (Lords), second reading, remaining stages of the Judicial Pensions Bill (Lords) and proceedings on the Statute Law Repeals (Bill Lords).

Lords—Debate on aid for small businesses. Debate on Royal Navy's hydrographers

Select Committee—Education, Science and Arts. Subject: Secondary school curriculum and examinations. Witnesses: Southern Universities Joint Board for School Examinations, Standing Conference of Regional Examination Boards and National Association of Head Teachers. (Room 6, 10.30 am). Foreign Affairs. Subject: situation of Gibraltar and UK relations with Spain. Witness: Sir Ian Gilmour, Lord Privy Seal. (Room 15, 10.30 am). Scottish affairs. Subject: Youth unemployment. Witnesses: Dr. T. C. Johnston, Mr. A. D. Weir. (Room 5, 10 30 am). Agriculture. Subject: Animal welfare in poultry, pig and veal calf production. (Room 16, 11 am). Public accounts. Subject: Selective examination of taxpayers' accounts; operation of the PAYE system; black economy; tax avoidance; capital transfer tax and the national heritage. Witness: Chairman of the Board of Inland Revenue. (Room 16, 4 pm). Welsh affairs. Subject: Broadcasting in the Welsh language and the implications for Welsh and non-Welsh speaking viewers and listeners. Witnesses: Welsh Fourth Channel Authority. (Room 6, 4 pm). Energy. Subject: North Sea oil depletion policy. Witnesses: Department of Energy. (Room 5, 4.15 pm). Transport. Subject. Transportation in London. Witnesses: Transport 2000 and London Amenity and Transport Association (Room 17, 4.15 pm). Social services. Subject: Medical education. Witnesses: Officials of Department of Health and Social Security (Room 21, 4.30 pm). Employment. Subject: Legal immunities of trade unions and other related matters. Witness: Lord Wedderburn. Room 8, 5 pm).


"Winning major export orders is hard work.
If a bank doesn't want to join in at the start, they shouldn't expect to share in the celebrations at the end.
We have now got to find a bank that understands this."
5YEAR PLAN. 1981-

TECHNOLOGY

EDITED BY ARTHUR BENNETT AND ALAN CANE

Fervour for the language

The best computer software, these days, can perform the apparently miraculous feat of extracting any single word or group of words from a long text almost instantaneously—much too quickly for the central processor to have searched the whole text.

Allen Rose explained that APL uses an "inverted listing" technique to accomplish this. All the words in the piece are stored alphabetically and given an individual index, a pair of numbers indicating line number and position in the line.

When asked to search for a single word the system can quickly identify it from the alphabetical listing and the attached indices point to those parts of the text where the word appears making fast retrieval possible. ALAN CANE reports.

TRAVELLERS ON British Airways over the years have been enlightened, intrigued or just plain mystified by an advertisement in the flight magazine *High Life*.

The product appeared simply to be called "APL;" the company, a small outfit of Canadian origin, was called I. P. Sharp. Earlier versions did not even carry the company's address.

It must have been incomprehensible to all but the initiated, yet Fred Perkins, managing director of I. P. Sharp UK, claims an incredible response.

The answer may be that BA's customers work for the kind of company which might be expected to find that a dash of APL does them a power of good.

APL is a computer programming language (A Programming Language). What makes it special is the ease with which it can be used — and the messianic fervour with which its devotees proclaim its virtues.

Now programming languages which promise to make computers easily accessible to all come up regularly —and equally regularly fail to make any impact on the professional data processing world.

APL, however, has a solidly respectable parentage. Invented by Kenneth Iverson at Harvard, it was developed in the IBM research laboratories in Yorktown Heights, New York and, after an initial period of disdain (IBM still carries the torch for PL/1, its favourite son) IBM now supports the language—especially for personal computing.

In the UK, APL is offered by, among others, bureaux such as BOC and APL Plus, the UK subsidiary of STSC, an American software house which, along with IP Sharp, was in at the birth of APL.

Last week, Allen Rose, vice-president of STSC, was in London to demonstrate the language. A former psychologist with a Dustin Hoffman grin, Rose exemplifies the prophet in APL users: "It provides computing power in an extremely concentrated fashion," he argues. "It is like a multi-function power tool."

According to Rose it takes only one quarter of the time to develop applications programs using APL than other languages — the competition includes Cobol, PL1 and everybody's simple computer language, BASIC.

The language is based in scientific applications—STSC originally stood for Scientific Time-Sharing Corporation — Rose claims it is specially suited to business applications.

It is partly nomenclature. Of the way the language analyses arrays of data Rose says: "When we stopped calling them matrices and called them tables, our business turned round.

"The key to our initial success was our ability to give results. Often we would discover a client application, write it and take it in to them unsolicited and ask them how they liked it."

Intended for financial planners, economists and other business analysts, the language is unfussy and direct.

Logged onto STSC's computer in Bethesda, Maryland at a terminal in London, the user can perform simple arithmetic just by keying in, for example, 3+8 (the machine is actually an Amdahl 470/V6 which at several millions of pounds makes it the most expensive desk calculator in the world.

But what experienced programmers will note is the absence of any initial and cumbersome procedures usually necessary to set up even a simple calculation like that.

The most sophisticated business tasks can be set up just as easily, Rose claims.

There is a price to be paid of course; all that simplicity for the user means lots of software behind the scenes —APL is very much a big machine language. The cash price is about £20,000—or £750 a month on lease.

APL Plus is on 01-242 8135; I. P. Sharp on 01-730 0361.

Allen Rose, former psychologist with a Dustin Hoffman grin.

Small boilers costing £50m plus

THE LACK of combustion controls on many small boilers is costing British industry more than £50m a year in wasted energy, according to estimates by Westinghouse Electric.

A survey of UK boilers, carried out for Westinghouse by the Metra Consulting Group, has shown that more than two-thirds of the installations are over 10 years old. Nearly 40 per cent of the 15,000 boilers are more than 20 years old.

The great majority of boilers used in British industrial and commercial premises are in the smaller range of 10,000 to 35,000 lb per hour of steam produced. Significantly, said Westinghouse, less than half of these small boilers had any form of continuous control.

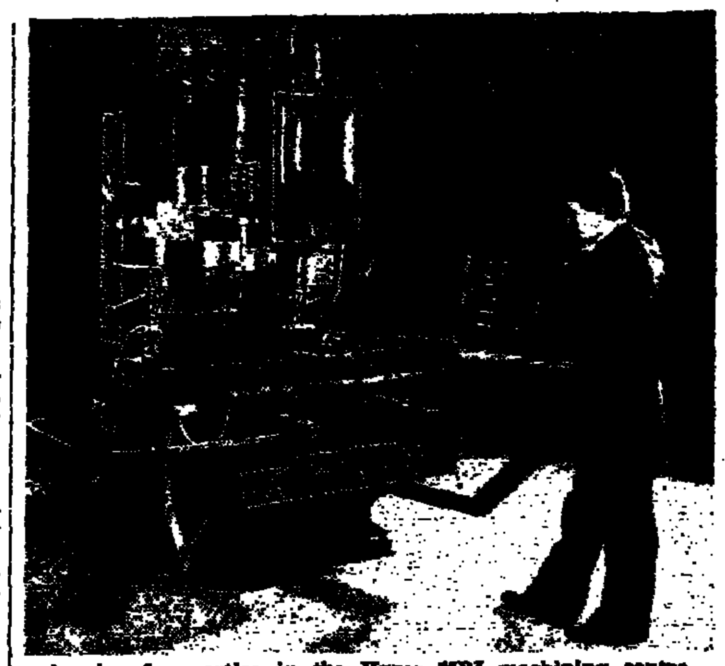
Westinghouse said that by fitting simple oxygen-sensing and control systems, most of which cost less than £1,000, approaching 10 per cent savings in energy consumption could be achieved. The pay-back period could be measured in months.

The company claims to be the world's biggest manufacturer of zirconium cell oxygen analysers, a spin-off from the manned space programme.

RAY DAFTER

Finish centre

A SURFACE finishing centre has been opened in Heneage Street, Birmingham, by Surface Technology Products, which specialises in equipment and materials for the mechanical finishing of metals. The centre is equipped with 24 of the latest machines and attachments for trial use by potential customers.



A mix of expertise in the Hurco MBI machining centre.

One or 100 centre has Reading debut

A MIX of American and British expertise with a contribution from Japan has resulted in a new machine tool in the Hurco range.

Hurco of Indianapolis, Indiana, has an agreement with Toolmasters Controls of Reading whereby the British company manufactures the control unit for fitting to the U.S. mill. A Japanese manufacturer supplies the heavy duty carcase.

Designated the Hurco MBI, it is a microprocessor controlled vertical bed type CNC machining centre.

Toolmasters claims that the centre is bringing strong interest from manufacturers involved in one offs or small batch production. In fact, Toolmaster is relying on a marketing slogan of "One or a Hundred."

Edward Hallewell, TMC chairman, says that 180 machines have been sold—about 80 to British companies, the rest mainly in western Europe and South Africa.

A conversational programming facility guides the operator through precise programming steps via a video display unit. This displays short inquiries, which, the company stresses, are in the operator's language rather than machine codes. Errors indicated by the data can be edited out instantly.

The control unit is supplied with a master tape cassette with three-axis linear interpolation, two or three axis contouring and a 250 block programming facility with a 48K memory.

TMC claims that this allows easy programming by semi-skilled operators, while master software can be periodically updated without alteration to the basic machine.

Positioning accuracy is said to be ±0.001 in and repeatability to within 0.0005 in.

The centre has a 30 in longitudinal table travel, cross travel of 15 in and head travel of 18 in. The 3 hp direct drive spindle motor permits variable speeds from 150 to 3,600 rpm.

A 12 station random selection automatic tool changer is an optional extra.

The company says a package deal comes out at about £45,000.

Toolmasters Controls is at Headley Road East, Woodley, Reading, Berks (0734 691919).

MAX COMMANDER

Dissipated photo-lab energy can be reclaimed

HEAT is used in photographic laboratories for developing, processor wash water, and for the processor film drying air. But, because of the sensitivity of photographic film, this energy is frequently vented to the atmosphere or disappears down the drain.

A high proportion of this energy can be reclaimed, says Alfa-Laval (01-360 1221), with the installation of a small plate heat exchanger which also gives the bonus of a reduction in running costs.

Say it were to cost about £350 a year to run a developing machine using water heated to between 67 and 70 degs F—the figure for a processor would be even higher at about £400 to £700 a year . . . using Alfa-Laval's unit, the company promises up to 85 per cent of heat recovery which can then be used to pre-heat water or air for the next development or processing cycle.

This saving is said to be due to a unique counter-current flow design of the heat exchanger which is made up of a number of profiled, stainless steel plates, gasketted at the edges and held between two mild steel plates.

Modular construction is employed so that the number and size of plates can be tailored exactly to the required level of heat transfer.

Each corner of the plates has a port which is either open or blind according to need, and hot and cold fluids flow in opposite directions through the plates and the heat transferred between them.

The efficiency of the process is increased by the thinness of the plate material and the surface corrugations which create turbulence.

..POINTERS..

Coal Board promotes Ness U Board

THE NATIONAL Coal Board boasts that it is one of the biggest and most significantly advanced coal mining and processing industries in the world.

It occasionally proudly promotes the chemical and construction products of a company within its organisation, the Thomas Ness Group (044 385 2511) whose 125 years experience encompasses the research and manufacture of the by-products of coal and natural gas condensates for world industry.

These products embrace everything from roof waterproofing and thermal insulation to binding agents and now it is producing a polyurethane roof insulation board.

Called Ness U Board, it consists of a core of rigid polyurethane said to be extremely lightweight yet offering high insulating qualities.

The board is laminated on each face with wet laid glass fibre facings which are integral with the foam core. It is suggested for use on new or existing roofs over concrete, timber, metal decks and wood wool slabs.

Promising a high degree of thermal insulation with a K value of 0.002W/m°C, it can be laid safely in hot bitumen and comes in 1200 mm x 600 mm sizes with a variety of thicknesses ranging from 20 mm to 50 mm.

DEBORAH PICKERING

Circuit overload module offers failure protection

A CIRCUIT overload protection module designed and manufactured by Wallacetown Control Systems, Ayr (0292 76037), is claimed to provide total protection against power phase failure and unbalanced electric supply voltages while also being capable of distinguishing between a true fault and an acceptable surge of power.

This capability is especially important when the start-up current of one or more motors on the circuit may approach or even exceed the value of a normal short-circuit current.

The module, known as the PFM, operates by monitoring the line current signals and comparing their phase relationship with reference signals derived from a separate three-phase transformer.

When a genuine short-circuit occurs, both signals are in phase and the unit trips an output relay. Where a motor is being started the signals will not be in phase and the unit will not initiate protection measures.

The sensitivity of the module to the relationship between voltage and current is fully adjustable from a front control panel, which also carries a re-set button and a fault indicator. This is claimed to make the module suitable for a wide range of applications.

Patient observation

HITACHI CCTV cameras are used in medical and educational areas for patient observation in hospital wards and operating theatres. The latest of these is the new-to-the-UK DK-5000, which is a small three tube colour TV camera.

This views the image in the same manner as the human eye and the pictures collected are displayed on a colour monitor for immediate appraisal.

Although the camera head is of three-tube design it is very light and small and can be installed directly on to a microscope.

Hitachi says that the equipment's improved electronics and 2/3-inch separate-mesh Chalnicon or Saticon tube give 550 lines of resolution at the image centre.

Optional accessories with the DK-5001 model (which has a 90 degree rotation in the mounting angle) include a microscope adaptor, surgeon's microscope adaptor with auto iris, automatic light control unit, and fibrescope adaptor.

More from Hitachi Denshi (UK), Garrick Industrial Estate, Garrick Road, Hendon, London NW9 9AP (01-202 4311).

Coal-firing for Avery

SINCE industry and domestic users are now appraising their over-long dependence on oil as an energy source it is necessary to examine alternative wellheads.

One certain fount is coal, say Portasilo, which is installing automated coal handling equipment to feed W. and T. Avery's boilers in the latter's Birmingham works. These boilers are capable of producing 15,000 lb of steam an hour and will be used for works heating, product processing and domestic hot water.

More from the bulk handling specialist at Portasilo, New Lane, Huntingdon, York YO3 9PR.

DEBORAH PICKERING

Plastic card

A COMPANY which has enlivened poster, billboard and point-of-sale display with relief design of products giving a realistic, 3D effect from its specialist stable of plastic laminations, has begun producing a laminated business card.

More from Thames Estuary Plastics, 289, Kiln Road, Thundersley, Benfleet, Essex (0702 554633).

Holding power

LESS FUSS and more time-saving in the drawing office or studio is promised with 3M's new Scotch Clean Off double sided tape which is said to have extra strong holding power.

Particularly for quick one-off tasks—the preparations of packaging mock-ups, montaging or rough visuals and so on—the tape carries a skinny layer of toughened pure adhesive which is applied directly to the artboard or other working surface.

More from 3M United Kingdom, PO Box 1, Bracknell, Berkshire, RG12 1JU (0344 26726).

FINANCIAL TIMES SURVEY

Wednesday May 6 1981

NORWAY

Big test waits for premier

By William Dullforce
Nordic Correspondent

"IF YOU THINK Mrs. Thatcher is tough, wait until you have seen this lady in action." The lady in question is Dr. Gro Harlem Brundtland, *Norway's* new Prime Minister. The assessment came from a political colleague after two months' experience of the way in which she handles her office and Cabinet.

Dr. Brundtland, 42, has already managed to introduce into government a resoluteness of purpose which was lacking during the last months in office of her ailing predecessor, Mr. Odvar *Nordli.*

She demonstrated her political mettle in February when she circumvented plans of the *Labour Party leaders by* winning the Premiership, and at the end of March went on to take the party's chairmanship from Mr. Reiulf Steen.

This is already a remarkable performance for someone who first appeared on the Norwegian political *scene in 1974, when the* then Labour premier, Mr. Trygve Bratteli, surprisingly made Dr. Brundtland Minister for the Environment. Her only political credentials at that stage were that she was the daughter of a former Labour Cabinet Minister. She had married a man with Conservative political convictions, given birth to four children, and worked as a doctor in the national health system.

Now Dr. Brundtland faces a supreme political test. Can she save the Labour Party in the general election in September from the defeat which, at the beginning of the year, seemed to be inevitable? This is Norway's overriding political question.

Apart from two spells, in 1963-65 and in 1872-73, Norway's Labour Party has governed the country since the end of the 1939-45 war. In the 1977 election a swing of one parliamentary seat after a dramatic recount enabled it to continue in office as a minority Government.

Since then its fortunes have plummeted as a result of differences between its Left and Right wings, indecisive leadership *and growing public dis*satisfaction about its economic policy.

The Government's success in maintaining employment has been offset by its failure to shackle inflation and doubts about its use of North Sea oil revenues. By the end of last year opinion polls showed support for the Labour Party dwindling to just over 30 per cent from the 42.3 per cent at the time of the 1977 election, while backing for the Conservative Party had climbed from 24.8 per cent to 30 per cent.

Adding the polls for the Christian People's Party and the Centre Party, the non-socialist alternative to Labour *commanded close to half* the electorate. At this stage most Labour Party members appeared to be resigned to the *loss of power.*

Unity

Party morale has undoubtedly been boosted after sickness forced Mr. Nordoli to resign as Prime Minister at the end of January and Dr. Brundtland's supporters swept her into office. Party unity was at least temporarily restored at the Congress in March, which elected her as leader.

Labour's standing in the opinion polls has improved, although the bulk of its gains so far probably have been at the expense of the smaller Left-wing and Centre parties. The Conservatives have continued to hold about 30 per cent of support while that for their two allies has declined only marginally.

The country's Labour Party could be toppled from power in September after 25 years of continuous rule. Crucial to the outcome will be the parties' plans to cope with inflation and use North Sea oil revenues wisely.

However, the opposition has its troubles and the three potential coalition partners present a much less united front now than *they did in the 1977 election.* Their problem is the abortion law.

The Christian People's Party stated firmly at its congress last month that it would participate in a non-socialist Government only if it undertook to legislate a revision of the present law, which allows a woman to decide for herself whether to terminate a pregnancy or not.

It is highly unlikely that a *majority for a revised law could* be found in the next Storting (parliament) and neither the Conservative nor the Centre Party is willing to make such a commitment.

The Christian People's party's stand on abortion thus opens up the possibility that, if the non-socialists secure a parliamentary majority in the election, the Conservatives may form a minority Cabinet of their own, since the Centre Party is not expected to go into a coalition without the Christians.

Such an outcome would not *displease many Conservatives.* Nor is it discounted by Mr. Kaare Willoch, the Conservatives' parliamentary leader and *presumptive Prime Minister in* any non-socialist Government.

On the other hand, the prospect of a purely Conservative Government narrows the campaign target for Labour and could improve its chances of winning back some of the votes in the Centre, which it must take, if it is to stay in power.

The situation could be even more complicated if the small Liberal party, Venstre, were to hold the balance in the Storting after the election.

Prospects for the general election in September have become increasingly fluid and intriguing over the past four months. The principal cause of this change *has been the emergence of Dr.* Brundtland as Premier and party leader and in the final analysis the result of the election may be decided by the personal duel before the television cameras between her and Mr. Willoch.

The Conservative leader is a "brain," feared and admired for his analytical skill, his control of facts and sharpness in debate. Dr. Bruntland has encouraged her supporters by tackling him *fearlessly and with no* evident feeling of intellectual inferiority.

So far, both have focused discussion on the economy, a critical political issue in Norway today. North Sea oil and gas, both as actual income and as collateral for foreign borrowing, have cushioned Norwegians from the economic problems encountered by most other West European countries in the 1970s.

There is very little unemployment in Norway. But the Norwegians have not managed to *adjust their economy to the* impact of offshore development. Traditional or mainland industry has stagnated and, above all, inflation has proved to be intractable.

In autumn 1978 the Norwegians accepted a 15-month wage and price freeze to which the Government resorted in an effort to halt inflation and to improve industry's competitive position. Consumer prices rose by only 4.8 per cent in 1979.

Critics who claimed that the freeze would only dam but not weaken the inflationary forces, proved to be right last year, when consumer prices started to accelerate despite a two-year national settlement which was regarded as not excessive.

By the end of March this year the 12-month inflation rate was 14.6 per cent and, even if a moderate adjustment to pay scales emerges from new talks between employers and unions, prices will climb by 13 or 14 per cent during 1981. Mainland industry faces a rough year.

The Labour Government is *thus vulnerable to political* attack on its economic record. But, even before Dr. Brundtland took over, it had started to alter course and she has adopted the new line in a forthright manner.

Restraint

The Government's medium-term plan for the period to the end of 1985 anticipates lower growth and eschews further, costly, social reforms. It promises fiscal restraint, entailing less support for lame-duck industries, and even foreshadows a more flexible employment policy.

In other words, in economic policy Labour has shifted much closer to the approach of the opposition Conservatives who will now find it more difficult to present the electorate with a *clear-cut alternative.*

Mr. Willoch will emphasise the virtues of de-regulation, doing away with bureaucratic controls and freeing business to take its own decisions and risks. Classic Conservative "freedoms" will be opposed to the Labour Party's socialism.

In truth, as in many other West European countries, Norway's Labour and Conservative parties are closer to each other in their attitudes to economic growth and industry than they are to the parties of the Centre.

Dr. Bruntland's rise to the Labour leadership can be interpreted in many ways. She is both the first woman and the first person with academic qualifications to lead the party. She was not the choice of the trade union leadership.

More important in the short run, however, may have been the grassroots instinct among party members that they could win the election with her because she provides a pragmatic, no-nonsense approach. She is a problem solver.

She also appears to have defused foreign and defence policy as an election issue. The Storting traditionally tries to maintain as broad a consensus as possible over these matters. In recent months, however, the opposition has been more critical of the Labour Government's dealings while some of Norway's NATO allies, notably the U.S. and Britain, have demonstrated concern about developments within the Labour party.

Here again, Dr. Bruntland's take-over, and the unity on foreign and defence policy achieved at the Labour Party Congress—where for the first time since 1949 not a single voice called for withdrawal from NATO—have narrowed differences.

Three issues—all linked to Norway's sensitive relationship to the Soviet Union—have provoked heated argument in Norway over the past 18 months, which *in turn* has created ripples abroad.

The issues were, first NATO's decision to modernise its theatre *nuclear missiles in Europe.* Second was Norway's own decision to stock on its territory heavy military equipment for use by U.S. marine reinforcements which could be flown in in an emergency.

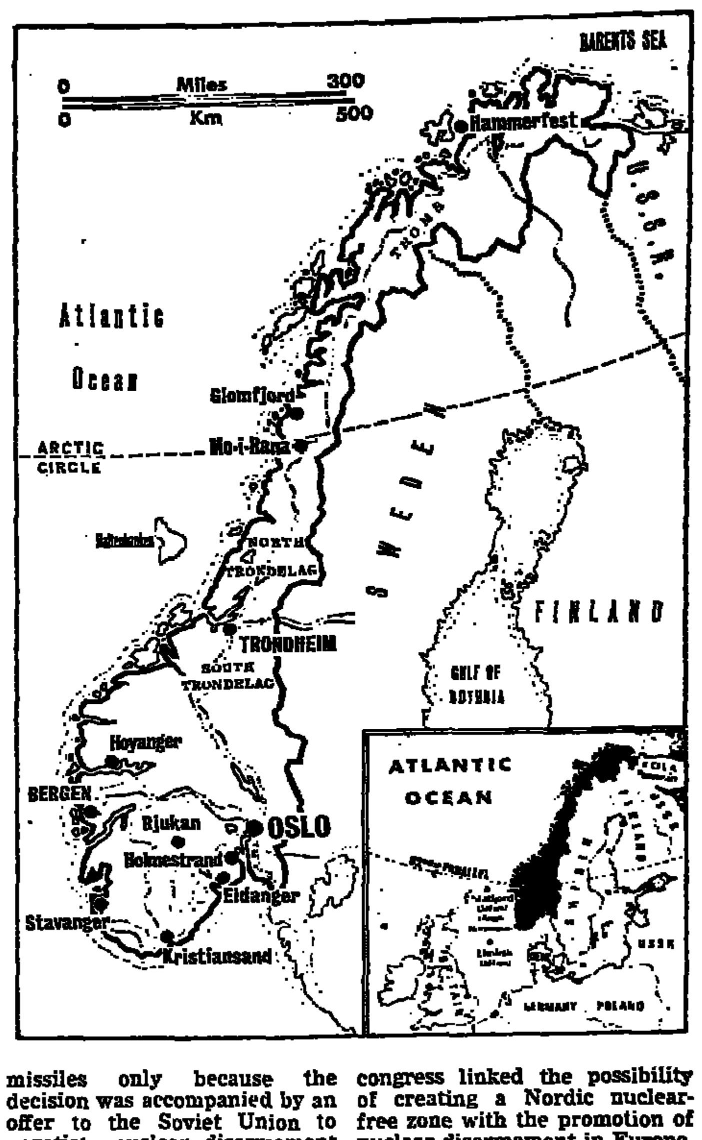
The third was the idea that Norway should work for the introduction of a nuclear-free zone in the Nordic area. Originally launched by critics of Labour government policy within the Labour Party, this idea in modified form became official party policy at this year's congress.

At the core of the dispute over these three issues has been a strong pro-disarmament group within the Labour Party. Mr. Knut Frydenlund, Foreign Minister, and Mr. Thorvald Stoltenberg, Defence Minister, were able to vote within Nato for the deployment of new Cruise and Pershing nuclear missiles only because the decision was accompanied by an offer to the Soviet Union to negotiate nuclear disarmament in Europe.

Nato's nuclear modernisation programme is still a delicate matter for the Labour Party. Labour joined the group from the Labour parties of the four small Nato countries (the others are Denmark, the *Netherlands* and *Belgium*) which met in Amsterdam earlier this year to discuss ways of promoting nuclear disarmament.

A second meeting, expanded to include West German Social Democrats and British Labour representatives, was held in Oslo in March. If statements from the Reagan administration show that the U.S. does not seriously want to negotiate nuclear disarmament with Moscow, the Nato missile question could become an issue in the Norwegian elections this summer.

In March the Labour Party congress linked the possibility of creating a Nordic nuclear-free zone with the promotion of nuclear disarmament in Europe. Dr. Brundtland later fended off objections from Mr. Willoch with an assurance that action on the zone idea would not be *unilateral but taken within the* context of Nato negotiations with the Eastern bloc.



CONTENTS

Oil wealth a mixed blessing

THE ECONOMY

WILLIAM DULLFORCE

NORWAY'S economic performance continues to resemble the curate's egg—good in parts. The increase in Gross Domestic Product (GDP) averaged 4.6 per cent a year in the 1970s and reached 3.6 per cent in 1980, a year of world recession.

Full employment has been maintained and over 250,000 new jobs were created during the 1970s, particularly to meet the demand for work among married women. Thanks to the income from North Sea oil and gas the current account moved from a deficit equal to about 14 per cent of GDP in 1977 to a surplus last year.

Mixed with these highly palatable parts of the economic egg are the more dubious elements. Mainland (i.e., non-oil) industrial production has stagnated since 1974 and the country's traditional exports have been losing market shares. Productivity within industry has been among the lowest in the OECD area.

Finally, there is the failure to curb the underlying inflationary trends. Prices are accelerating faster than in the countries which are Norway's main trading partners, threatening once again to boost wage demands and lower the competitiveness of mainland industry.

Adjustment

The crucial issue remains the adjustment of the Norwegian economy to the blessing of the offshore petroleum discoveries. The Norwegians have used the oil revenues, drawing on them in advance, to maintain employment and living standards.

They have yet to solve the problem of how to manage the oil revenues so that they do not create inflation and other imbalances which can disrupt the present structure of Norwegian society — although admittedly, from the beginning in 1973, when they first adopted the policy of moderate depletion of the offshore reserves, they recognised the dangers.

Last year, indeed, the argument that Norway cannot "manage" the oil economy but must accept its effects and ride with them was provocatively advanced by a highly respected economist, Mr. Odd Aukrust. The Labour Government has rejected the argument and is now attempting yet again to strike the right policies.

Its change of attitude is embedded, sometimes in an implicit rather than explicit form, in two documents: the White Paper on industrial policy issued at the end of last year and the medium-term economic programme for 1982-85 published last month.

The former reiterates the principle that mainland industry shall be competitive. The latter rejects the inflationary alternative and warns citizens that expectations must be lowered and that some earlier political decisions will have to be revised.

The documents are of course expressions of intent. It remains to be seen whether the political conditions exist for their realisation and whether their goals are compatible with economic realities.

The difficulties are concentrated on two central problems — inflation and public finance. The one has so far proved to be intractable to efforts to control it; the other has exacerbated the situation by a growth in public spending which has been faster than that in any other OECD country with the exception of Sweden.

In September 1978 the Government tackled inflation by a wage and price freeze lasting 15 months until the end of 1979. It planned to follow up with a dismantling of controls which, it hoped, would allow prices and wages to find a market equilibrium.

The freeze worked. Industry's unit labour costs improved in comparison with those of competing industries abroad, production turned upwards and productivity improved. But it can now be seen in retrospect that the freeze did not alter the underlying trends.

A successful aftermath to the freeze appeared to be possible after a relatively moderate two-year pay settlement was reached by employers and trade unions in the late spring of 1980. But in the second-half of the year wage pressures built up and consumer prices started to accelerate.

The involvement of the oil sector in this wage push was clearly illustrated when in the summer workers on offshore platforms obtained a 30 per cent increase in their wages by a strike threat which would have halted oil production. The merchant seamen promptly followed up with a strike threat which won them a settlement of over 18 per cent.

The tight labour market is obviously a factor. When the profits of the mainland export industries started to rise in 1979 and 1980 their resistance to wage claims outside the national settlement decreased. The international oil price increases at the end of 1979 (which boosted Norway's oil revenues) also seem to have passed into Norway's mainland economy faster than into some others.

The overall result of these forces was an estimated six per cent wage drift last year. This spring talks between the employers and unions on adjustments to pay scales under the two-year agreement broke down partly because of the employers' efforts to head off further wage drift.

Mrs. Gro Harlem Brundtland, Norway's first woman Prime Minister, who took office last February

Instead of implementing their strike warning the private sector unions effectively passed the ball to the Government by announcing that they would wait to see the results of the pay talks in the public setcor.

Even if a moderate settlement is finally achieved the prospect is that Norwegian prices will climb by 13 to 14 per cent this year, faster than the expected OECD average and that the competitive position of Norwegian industry will drop by three or four points.

Balance

The State's oil income this year will be around NKr 30bn. It will go straight into the budget and will enable the Government to balance the national accounts without borrowing abroad. The Finance Ministry's budget figures show that without the oil revenue there would have been a deficit of some NKr 19bn on total expenditure of NKr 162bn.

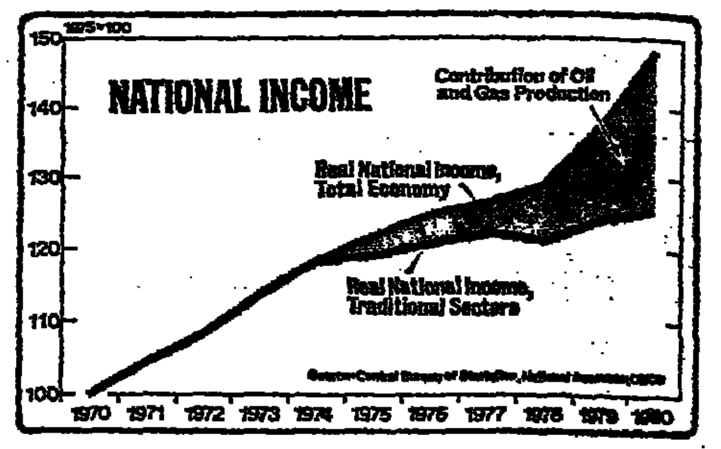
To counter the effects on employment of the 1973 oil price increases, while North Sea development was still in the investment stage, Norway earlier raised foreign loans, a course which seemed to be justified by future oil revenue expectations.

Public spending was also inflated by subsidies and transfers to meet political targets such as the preservation of the population distribution, support for fisheries and the equalisation of farmers' incomes with those of industrial workers.

From 1978 onwards an attempt has been made to slow down this expansive fiscal policy but so far at least it has not succeeded in eliminating the deleterious effects. Thus the bulk of the new jobs created since 1973 have been in the public sector, contributing to the tightness of the labour market—which has in turn made it so difficult to fight inflation.

Moreover, the State's financial support for declining industries, farms and fisheries has hindered the transfer of workers to more profitable industrial operations, where indeed labour shortages have developed. It has also helped to undermine a natural development in productivity.

These developments are illustrated in the accompanying table and chart taken from the *latest OECD report on the Norwegian economy*. They show the size of the Government subsidies for business and illustrate the productivity "gap" which has developed parallel with the growth of North Sea oil and gas production.



The 1981 national budget, on lines similar to the White Paper on industry and the medium-term programme, foreshadows a change of direction, although it continues to list goals—full employment, a moderate rise in prices and incomes, a high standard of living and socially equitable distribution—which may not be altogether compatible.

Support for industry is being reduced. The volume of lending through the state bank is being curbed. Cuts in personal income-tax and a switch to heavier indirect taxation may not in themselves slow the growth in public spending but are intended to open the way for wage restraint and to allow wages and prices to be more influenced by market forces.

Offshore oil and gas output will not increase over the next four years or so, before new fields are brought on stream, and the Finance Ministry is not counting on large increases in oil prices. The Government oil revenue is calculated to grow from around NKr 30bn this year to NKr 40bn by the middle of the decade.

Interest and repayments on the debt accumulated from the mid-1970s add up to some NKr 45bn by the end of 1984. The government intends to wipe off this debt, an intention which if maintained can by itself exercise a restraint on further fiscal expansion.

The commitment to controlling public spending comes through strongly in the medium-term programme, which poses a growth of no more than 2.5 per cent a year in national income up to 1985 with North Sea oil and gas included. It warns Norwegians that they can expect little or no improvement in their purchasing power during that period.

Recognising that industry must adapt to high cost level, the programme gives priority to improving productivity, stimulating private savings and adjusting tax policies, in order to encourage profitable investment. Emphasis will be switched from subsidies for lame - duck industries to financial backing for individual workers whose companies get into trouble.

Investment

Both the programme and the White Paper accept the need for more labour mobility and greater flexibility in the use of labour market measures. The programme also suggests that any surplus from offshore operations should be used for investment both at home and abroad.

The White Paper has been criticised for not spelling out the social requirements to be placed on industry, an omission which is indeed unusual in Labour Party literature but which illustrates a significant change of attitude. Industry is now being told to stick to its job and to operate effectively. The pressure to maintain employment at all costs is lifted—at least in principle.

The big question is whether these good intentions can be realised. Past experience tends to raise doubts. Public expectations have been aroused by the advent of North Sea oil. The Government may be locked in by earlier political commitments, particularly those entailing the large transfers of public funds shown in the accompanying table.

In the past year the choice before Norway has been more sharply posed in the internal debate and more clearly recognised by the Government. The country must either go along with the inflationary impulses of offshore oil and gas exploitation or curb expectations, return to fiscal probity and revise some earlier political commitments.

Booming demand save for oil tankers

SHIPPING

FAY GJESTER
Oslo Correspondent

TWO SHARPLY contrasting trends dominate the Norwegian shipping scene: the deep recession in the market for large oil tankers, and the booming demand for almost every type of offshore craft, from drilling and hotel platforms to supply boats and standby vessels.

In between, satisfactory employment is being maintained for all the other ship types which make up Norway's merchant fleet, from gas tankers to cruise ships.

The tanker slump has hit some Norwegian companies very hard—not surprisingly, since large tankers account for about half the merchant fleet in terms of tonnage (94 per cent of the fleet is engaged in foreign trades, calling only occasionally at Norwegian ports).

Early in April, 12 tankers totalling nearly 2.9m dwt were laid up, seven in foreign ports. The low rates being offered by charterers were not enough to cover even the fuel costs and harbour dues of the largest tankers, let alone their other operating and capital costs. Lay-up—in the nearest convenient port—was the only wise course as charters expired.

The other side of the picture the booming offshore trade—reflects the great increase in offshore oil and gas exploration in many areas of the world, as well as the North Sea. This has triggered soaring rates for every kind of mobile platform—drilling rigs, floatels and construction barges—and a wave of new orders.

Owners are often able to conclude charters for new rigs when they order them from fabricating yards—which makes it easy to secure finance for the new units.

April saw the first London financing, arranged by Lazard Brothers, of a major Norwegian rig construction contract. Lazards brought in 12 other banks to provide Kaldnes mek Verksted, a Norwegian yard, with \$80m (£36.7m) for the construction of a Trosvik Bingo 3000 semi-submersible drilling platform.

The loan, due for repayment by early 1983, covers 80 per cent of construction costs. The balance is being provided by the company ordering the rig, Rosshavet, as a deposit.

Most rig owners are this time seeking charters before ordering. Some burned their fingers in the first rig boom in the early 1970s. Then, there was a wave of over-ordering which paralleled the tanker contracting boom which preceded it by a couple of years.

Controversial

Like the tanker boom, it led to a glut on the market in 1975 which forced many units into lay-up. It led the Norwegian Government to set up, in co-operation with ship owners, a unique and controversial institution—the Norwegian Guarantee Institute for Ships and Drilling Rigs (GI).

The institute's purpose was to provide State-backed loan guarantees so that banks would be willing to tide the Norwegian ship and rig owners over what was expected to be a short-lived recession. Without this help, it was claimed, the owners would have to sell potentially valuable ships and rigs at below their "real" value to pay off their debts.

Certain London banks which had lent heavily to Norwegian shipowners are believed to have lobbied the Government energetically in favour of the arrangement, which also helped them out of a tight spot.

The optimistic view of the future that led to the GI's formation proved to be justified for the rig owners in the long run—although some experienced a few lean years during the slump, and a couple were forced out of business. Now the Institute is winding up its rig loan guarantees, which are no longer required.

The 25 tanker loan guarantees provided by the G.I. are another and a far sadder story. No fewer than 12, totalling Nkr 870m (£73.85m), have been granted to the troubled Reksten shipping group, which the State rescued from bankruptcy and helped to reorganise six years ago.

The 12 debt-burdened Reksten tankers, approaching scrapping age, are unlikely to earn enough to pay off all they owe—including a sizeable element of rolled-up interest. Moreover, it has recently emerged that their one-time owner, the late shipping magnate Mr. Hilmar Reksten, had assets worth at least \$40m in overseas companies. The G.I. guarantees were granted on the assumption that he had no foreign assets, and the whole affair has caused much debate in Norway.

The part played by the G.I.'s manager, Mr. Haakon Nygaard, is not clear. When Mr. Reksten was tried, shortly before his death, on charges of having channelled profits abroad, Mr. Nygaard said he did not believe there was a "Reksten fortune" overseas.

Later, when Reksten's heirs and others agreed to pay at least \$40m to the shipowner's

CONTINUED ON NEXT PAGE

NORWAY III

Ambitions involve compromise

OIL AND GAS

FAY GJESTER

NORWAY'S STRATEGY for exploring and exploiting its offshore oil and gas is a continually changing compromise between short-term and long-term ambitions.

The long-term plan is to regulate the growth of this relatively new industry so that it will provide the maximum benefit to society and the economy, at the minimum risk to human life, the environment, and traditional Norwegian values.

The Stavanger-based oil directorate, which is the Oil Ministry's advisory arm, is a dedicated champion of the long-term view. The Labour Government, too, supports it in theory—hence its attachment to the theoretical production "ceiling" of 90m tonnes of oil equivalent (toe) annually.

This figure is accepted by Labour, and by the largest opposition party, the Conservatives, as representing a "moderate" depletion pace. It is almost twice Norway's 1980 output of just under 50m toe and about ten times the country's present hydrocarbon usage.

Despite its lip service to longer-term goals, the Government's exploration and development decisions often seem to be more strongly influenced by short-term considerations — the immediate benefit a particular project can bring to one region, or to work-hungry platform fabricators.

Oil policy is the province of *the fast-growing state oil company*, Statoil. Its young ambitious management team, headed by Mr. Arve Johnsen, its managing director, wants the company to expand in all directions at once: exploration, field development, production, and downstream into petrochemicals and marketing.

When the Government established Statoil nine years ago, it hoped to create an instrument which would help it to direct and regulate oil activities. Many Norwegians believe that the state oil company already has developed a drive of its own which makes this regulatory role illusory.

Expansionist

Recent developments indicate that Statoil's expansionist arguments have won, hands down, over the pleas for caution voiced by oil directorate experts. In April, the Government announced that it would seek the Storting's approval of a *NKr 12.5bn Norwegian* gas-gathering line, following the route recommended by Statoil, from the *Anglo-Norwegian* Statfjord Field, via Norway, to the Continent—dashing British *hopes of buying* Norway's 84 per cent share of the Statfjord gas.

At the same time, it asked the Storting to approve "in principle" another major project. *The scheme, ardently* advocated by the state oil company but bitterly opposed by the *oil directorate, concerns the* development of a large oil field, with some associated gas, in the *so-called "golden block" (34/10)* in Norway's sector of the North Sea.

Statoil is operator in 34/10, with an 85 per cent stake, and the other licensees are Norsk Hydro (9 per cent) and the privately-owned oil company Saga Petroleum (6 per cent). First phase development proposals for this discovery, tabled by the three companies last November, *envisage bringing* the field on stream by the end of 1987, at an estimated cost of NKr 18.5bn, *at 1980 prices.*

Strain

The oil directorate opposes the early development of 34/10 on several grounds. For one thing it believes that the project—coming simultaneously with the gas-gathering scheme—*would strain the pace of* Norwegian sector development generally, involving a hectic build-up of activity early in the 1980s and pushing production over the 90m-toe-per-year ceiling (the government, on the other hand, reckons that the ceiling would not be breached).

Ideally, says the directorate, output should be built up gradually to about 80m toe annually at the end of this decade. That would leave room for additional fields to be brought on stream, without exceeding the 90m toe limit, if there were special reasons for doing so. The first discovery in northern waters *might be such a special case,* since the government wants to spread the benefits of offshore *activity to new parts of the* country.

Moreover, to make optimum *use of existing and planned* production and transport facilities, the directorate believes gas *field development should* have priority on Norway's shelf. New oil fields, it argues, can wait. It *fears that a decision to develop* 34/10 now will freeze the pattern of development on the *shelf for the rest of this decade,* forcing postponement of gas-field exploration which could be vital to the *profitability* of the planned gas-gathering line. It also points out that the structure of the 34/10 find is complicated and time is needed to work out the best possible method of producing it.

Only a part of the reserves in any oil or gas reservoir can actually be recovered—brought to the surface. In the past, the directorate recalls, over-hasty development decisions have resulted in lower recovery rates than otherwise could have been achieved. Ekofisk—where output has recently been falling faster than expected—is cited as an example.

Statoil plans to feed gas from 34/10 into the proposed new line *from Statfjord, which will also* tap Elf's Heimdal field, in Norway's part of the North Sea. *Ostensibly, this is the Government's* reason for recommending the project now, in connec*tion with the gas gathering* scheme.

In fact, fabricating industry *fears of a gap in order books,* between 1983-86, plus pressure from Satoil, almost certainly *influenced the Government's* timing. Only weeks before the official proposals were tabled, the *offshore fabricators' organi*sation, MVL, warned the Oil Ministry that postonement of *development in 34/10 could* lead to a trough in activity more marked than anything the industry has yet experienced.

If development were to be concentrated on gas finds, as advocated by the oil directorate, this would provide far fewer jobs for Norwegian companies and the work it would create would come after the expected trough. But if Statoil's timetable were followed, the bulk of *work for 34/10 would come just* when it would be most welcome, in 1984 and 1985, said the MVL.

Statoil's haste, where 34/10 is concerned, reflects political considerations. Labour is widely expected to lose power in the September general elections and the present Government might be followed by a non-socialist coalition, including the small parties of the Centre which favour a slower pace of activity *offshore.*

Another possibility is a purely Conservative, minority Cabinet, *relying on support from* the other non-socialist parties in the Storting. Either way—even though the Conservatives share Labour's views on most oil policy issues—the state oil company's influence on Oil Ministry decisions is likely to wane with a new Government in power.

Hustled

Last year, a *major offshore* investment decision—to build a third, integrated platform for *the Statfjord* Field — was hustled through by Statoil and the Government, also under *pressure from* Norwegian platform builders. Mobil, operator company on Statfjord, was *believed to have favoured* delaying the verdict to allow time for more thorough reser*voir studies.* If the *Storting* is steam-rollered into approving 34/10 now it will be another *instance of short-time goals out*weighing longer-term considerations.

In fact, the most that the outgoing Storting can do—with only two months left before the summer recess—is to express its approval of the project in general terms. The Government was unable to submit detailed development plans because the oil directorate has not finished evaluating the field's structure.

Offshore disasters have twice temporarily slowed the pace of exploration and development. The first time was in 1977, when *a well in the Ekofisk field* blew out of control, spilling thousands of tons of oil into the *sea. This led to the postpone*ment of plans for drilling north of the 62nd parallel, originally due to start in *summer 1978.*

Then early last year, when the hotel platform Alexander Kielland capsized in the Ekofisk field, killing 123, it looked for a time as if the move north—scheduled for the summer—might again be postponed.

The Government kept its nerve, and three wells were drilled in the new province—two off Hammerfest, in the far north, and one on the Halten Bank, off central Norway. The operators—all Norwegian companies—were Norsk Hydro and Statoil, off Hammerfest, and Saga, on Halten Bank, each with a foreign partner acting as technical advisor.

The 1980 north-of-62 season was shortened by extra platform inspections ordered in the wake of the Alexander Kielland's loss, and *by a seamen's strike that* affected mobile drilling rigs all over Norway's shelf, but the *results achieved were regarded* as encouraging. Statoil's well found hydrocarbons, but time did not permit thorough testing. Hydro's was a duster, but there were reports that it found evidence of background gas during drilling through mesozoic sandstone, and the well passed through good reservoir rock. Saga found no traces of hydrocarbons, but the well yielded valuable geological informatien.

This year, the companies are being allowed a longer operating season up north, and three *additional blocks* have been allocated. Statoil and Hydro hope to drill two wells apiece. Saga *may not manage more than* one because one of the two rigs it was planning to use has been delayed by work *on a gas* well just south of the parallel. Late in April, it was trying to charter a substitute rig, but with little prospect of success, because of the tight rig market worldwide.

A basic trend of Norway's oil policy, ever since the first discoveries were made, is that in principle all hydrocarbons found on Norway's shelf should be landed in Norway. All the transport plans so far approved for Norway's ten producing fields have, in theory, been exceptions to this rule.

If the Statfjord line is approved, and built, it will be the first to bring Norwegian hydrocarbons to Norway. Enriched gas (methane, plus natural gas liquids) from the *field will be piped to Kaarstoe,* half-way between Bergen and Stavanger, where the natural *gas liquids will be extracted.* All or most of the dry gas (methane) will then be exported *to Emden, in West Germany,* via the Ekofisk/Emden line. This line already has space to spare, *and its surplus capacity will* increase as output from Ekofisk falls.

Until quite recently, there were hopes that some of the methane could be used, at *Kaarstoe, as feedstock for new* industrial plants. There is now considerable doubt about this; the economics of building new gas-based industry are rather uncertain, partly owing to *Norway's high costs.*

As for the natural gas liquids (NGLs), these probably will go mainly to Norway's existing petrochemical complex, at Rafnes in East Norway, replac*ing dwindling supplies from the* Ekofisk field.

There has been some haggling over the price to be paid for the Statfjord NGLs, with the potential buyers—Norsk Hydro, Dyno and Saga—unwilling to accept the Statfjord group's price ideas. The three *companies believe* that the price should be linked to that of naphtha, the main competitive feedstock.

Deadlock

The Norwegian government secured an option to buy the NGLs as one of the conditions for allowing direct loading of oil on Statfjord, but the option must be exercised by July 1, *1982. The Government,* which initially left the detailed purchase negotiations to Hydro, Saga and Dyno, *has tried to* resolve the deadlock by putting forward its own price-fixing formula, believed to be based on the 1980 prices of a number of oil products. But this has been unacceptable to industry.

It says that 1980 was not a representative year and that in any case the oil-product linked formula takes no account of the fact that a surplus of naphtha is foreseen. If this surplus materialises, it could be cheaper to buy feedstock for Norway's industry on the open market. This would make the landing of the NGLs in Norway rather pointless.

The oil companies in the Statjford group are said to regard the present negotiations as unreal and expect that in the end the government will impose its own solution anyway. No Norwegian government could fail, they believe, to see that Norwegian industry benefits *from the gas-landing scheme.*

Last year, the Storting approved changes in petroleum taxes designed to scoop up windfall profits from petroleum price rises. The new rules raised the state take of offshore oil and gas production to nearly 82 per cent, from about 70 per cent *previously.* Several oil companies hinted that they might shelve development projects if *the changes were made, but* nothing came of these veiled threats.

Shipping — booming demand

CONTINUED FROM PREVIOUS PAGE

NORWEGIAN MERCHANT FLEET

(January 1, 1981)

	No. of units	% of total	'000 grt	'000 dwt	% of total tonnage†
Gas tanker	47	5.7	669	761	2.1
Chemical tankers	60	7.3	697	1,160	3.1
Oil tankers	136	16.6	11,727	23,025	62.2
Combination ships	33	4.0	2,234	4,003	10.8
Bulk vessels	112	13.7	3,485	5,917	16.0
Ro-ro, container ships	88	10.8	940	1,297	3.5
Other dry cargo	227	27.7	442	746	2.0
Passenger vessels, ferries	25	3.1	389	4	0.0
Supply boats	91	11.1	66	112	0.3
TOTAL	819	100.0	20,649	37,025	100.0

† Excluding passenger ships.

The Norwegian flag fleet also includes small coastal vessels of various types and about 30 offshore platforms.

bankrupt estate, Mr. Nygaard told the Press he had known all along that the Reksten children had money abroad. Soon afterwards the G.I.'s board, which includes several senior civil servants, unanimously agreed to suspend Mr. Nygaard from his job as manager, pending clarification of his role in the Reksten business.

Other troubled tanker companies which have received substantial loan guarantees from the G.I. are the Nortank fleet (formerly Waage group), with five tankers and guarantees totalling NKr 211m, and the Biornstad *company*, with three tankers and a total guarantee of NKr 136m.

The State has lost only a negligible amount on its commitments to the G.I. The institute itself has had to make good a couple of defaulted loans, but the money came from the "own guarantees" which the companies involved have to put up (or get their banks to put up), by way of an entrance fee to the G.I.

Only if the loan default exceeds this amount will taxpayers' money have to be spent. In the case of the Reksten ships—and possibly some of the other obsolescent tankers covered by *G.I. guarantees*—the debts are so large, in relation to the ships' market value *that the State may well have to* foot part of the bill.

A long-awaited Government White Paper on shipping policy, published earlier this year, said the G.I. had helped Norwegian ship owners to retain their most *modern vessels. But it conceded* that, because of recent market developments, many tankers *with* G.I. guarantees might never earn enough to repay their loans.

Steep fuel price increases, for instance, had drastically altered the relationship between *bunker costs, wages costs* and capital costs.

"New ships will be designed *to use significantly less fuel* and will therefore be cheaper to operate than existing units," it *pointed out.* The G.I.'s tanker commitments, it conceded, did "involve a considerable element *of risk*"—*although* it did not put a figure on this. All in all, it advocated winding up the institute "*as soon as possible*".

Ship owners had hoped the White Paper would recommend easing *restrictions on* "flagging out"—registration of Norwegian vessels under foreign flags to cut operating *costs. Some con*cessions in this direction were proposed, but the industry says *they do not go far* enough.

In principle, the Government said, it believed that Norwegian ships *should* be operated under the Norwegian flag, with Norwegian crews. But ageing vessels, which could no longer be profitably operated under the Norwegian flag, might be allowed to register abroad.

It would consider allowing foreign registration of ships that had been operated under the Norwegian flag for a "*reasonable period of time*", providing that they were replaced by equivalent new tonnage *registered in Norway.*

The White Paper promised to consider tax concessions which could make it more attractive for foreigners to invest in Norwegian shipping companies.

The liquidity squeeze that hit the shipping industry in the *1970s led to a sharp* contraction in the total number of Norwegian shipowning companies —*from 240 in 1974 to about* 190 in 1980. The fleet also shrank—from a peak of 27.7m *gross tons* in mid 1977 to 20.65m g.t. at end-1980. Most of this decline was borne by *the smaller shipping companies.*

As for the future, the Government intends to let market *forces determine* how much the industry can borrow to expand the fleet. There is to be no *extension of an arrangement* which allowed the G.I. to guarantee loans by shipping *companies to finance purchases* of second-hand tonnage.

The signs are, the White Paper said, that the shipping industry is able to attract the capital it needs to maintain its activity. "From now on, international market developments will determine whether the industry should expand, or undergo some further contraction."

NORWAY IV

'Mainland' industry and its problems

On this page William Dullforce reviews Norway's traditional manufacturing sector, with special reference to four leading members — metals, pulp and paper, electronics and shipbuilding.

DESPITE increases in both 1979 and 1980 Norway's industrial output (excluding North Sea oil and gas) at the end of last year was no higher than it had been in 1975 and still some 3 per cent below the peak established in 1974. Little or no growth is forecast for this year.

The export performance of the "mainland" industry also continues to be poor. Its competitive position recovered in 1978 and 1979 after a sharp deterioration in relative labour unit costs in the 1974-1977 period but the improvement has not been translated fully into higher exports and its shares of foreign markets have continued to fall.

The outlook facing industrial managers this year embraces declining demand for exports and the only too evident prospect that wage demands and other cost increases can further undermine their ability to compete abroad.

Industrial profits climbed in both 1979 and 1980 but against the background of large price increases the growth was insufficient, managers hasten to explain. Industrial investment advanced by about 20 per cent in volume last year but was concentrated on a few projects in the capital-intensive metals and forest industries.

The latest surveys indicate that companies are delaying capital spending plans for 1981, which is therefore likely to see a decline in the volume of investments. Finally, industry's poor productivity performance—an annual increase of only 0.6 per cent in the 1975-80 period—is not expected to be reversed this year.

This summary suggests that the Labour Government's wage and price freeze in 1979 and its other measures designed to stimulate industrial performance have not succeeded. The argument that offshore oil development will have a damaging effect on mainland industry appears to be justified.

However, the picture is not one of unmitigated gloom. The situation varies from one industry to another and from company to company and it is evident that the process of restructuring, which was bound to result from the impact of North Sea oil, is now under way.

Obviously, groups such as Norsk Hydro with a stake in offshore resources are well placed to invest in expansion of their non-oil operations both at home and abroad. Others—Kvaerner, for example—are exploiting their engineering experience in meeting offshore demand.

But the most important bull factor for Norwegian industrialists may be the change in the approach of the Government signalled in the White Paper on industry published last December. Understandably, not all company executives are yet persuaded of the consistency in the Labour Party's new line; some, on the other hand, have taken new heart.

Alteration

The alteration in the direction of Government industrial policy has been outlined in the earlier article on the economy in this survey. This article now looks briefly at another major issue — energy supply — and then sketches the situation in four key industries which compete with foreign products.

Cheap hydro-electric power has been the *raison d'être* of a large part of Norway's exporting industry, in particular the metal smelting companies making aluminium and ferro-alloys. Earlier last year the Government published a White Paper recommending that the companies should pay a price for electricity equal to the cost of producing electricity at new hydro power plants. This would have doubled their energy costs.

The Storting (Parliament) modified the proposal. It instructed the Government to negotiate with the companies a new pricing system based on a link between the electricity price and product prices. The principle was that the companies would pay a higher price than provided for in their power contracts during periods when the prices obtained by their products rose sharply.

Allocation

The new pricing system was to be agreed and presented to the Storting this spring. Simultaneously, the Government was scheduled to announce the allocation of very limited new power supplies to the companies. Neither deadline will be met.

The price talks have yet to handle crucial issues and the Government, haunted by the nightmare of a widespread switch from oil to cheaper electricity for heating homes, is not yet prepared to decide how much new power can be allocated to the companies. These issues may not be settled until after the September general election.

The situation is particularly embarrassing for two power-intensive industries, the metal and ferro-alloy producers and the pulp and paper mills.

Raw materials another worry

PULP AND PAPER

THE NORWEGIAN Pulp and Paper Association launched its own campaign last year against the Government's proposal to link electricity prices to the long-term marginal cost of producing hydro power.

The position of the pulp and paper mills differs somewhat from that of the metal manufacturers in that they buy electricity at the wholesale price, but the proposal would have entailed an estimated increase in electricity costs from an average of 9 oere to 19 oere per kwh. Norske Skogindustrier, the biggest company, is among the 10 largest consumers of electricity in the country. Moreover, the industry as a whole has been investing heavily in recent years in thermo-mechanical pulp and wood-containing papers, which are far more energy-intensive.

This is a logical development because after the price of electricity the second constraint on the growth of the pulp and paper mills is the wood supply, which has been consistently lower than demand in recent years. If a compromise can be reached over electricity, the availability of wood would be the major long-term factor affecting development. The Government has promised a White Paper on the matter.

The restructuring towards products entailing a more efficient use of wood has speeded up in the last few years and is reflected in the statistics. Thus newsprint, with a 1980 output of 589,000 tonnes, is by far the dominating product, followed by wood-containing printing and writing papers, of which 235,000 tonnes were made last year.

Close to 90 per cent of the newsprint and 80 per cent of the wood-containing papers are exported, accounting for over NKr 1.7bn ($3.5m) of the total NKr 4bn earned by pulp and paper exports in 1980. This was nearly NKr 500m more than the amount earned in the previous year.

Last year was not as successful a time for the industry as had been hoped. Demand for pulp and some paper grades fell in the second half and sales income did not rise fast enough to cover increased operating costs, which were inflated by higher energy prices and bigger wage bills. Depreciation charges and interest payments were boosted by investment projects under completion.

Deterioration

A survey of the accounts of 17 wood-processing companies by the industry's economic institute showed a decline of almost 28 per cent in pre-tax earnings last year and a return on total capital employed of some 7 per cent. Because of the recession in Western Europe the 17 companies surveyed were forecasting a further deterioration in their results this year.

The running in of the Tofte bleached sulphate pulp mill also ran into difficulties last year, the full start-up being delayed until this year. On the other hand the fact that more Norwegian wood-processing concerns closed down in 1980 than in any previous year is not entirely negative. Most were old, small and ineffective and their departure indicates that reorganisation of the industry towards competitive production is speeding up.

Fiskaa Verk, one of Elkem's four ferro-alloys plants

Cheap power is crucial

METALS

SOME 35 smelting and fabricating plants in Norway manufactured metals and alloys worth NKr 17bn ($3.14bn) last year, of which roughly NKr 13.5bn represented export revenue equal to about a quarter of all Norwegian non-petroleum exports. They directly employ some 30,000 people and indirectly provide jobs for a further 10,000. By mainland Norwegian standards they are big business.

The trouble is that at maximum capacity they consume 30 terawatt hours (TWH) of electricity a year, in addition to 1.2m tonnes of oil, coke and coal. The electricity amounts to one-third of total hydro capacity in Norway.

About 70 per cent of the electricity is used by the big three; Norsk Hydro for aluminium and magnesium, Aardal og Sunndal (ASV), the state-owned aluminium company, and Elkem, which specialises in ferro-alloys but also has an aluminium capacity of 179,000 tonnes a year.

The industry has expansion plans which would call for an extra 7 to 8 TWH of electricity to be made available. So far the Government has indicated that 1 TWH can be found. The extra 7 TWH would not only add some 25 per cent to existing capacity but could spark off investments in better processing equipment to give a further 20 per cent or so.

Current expansion projects will raise aluminium capacity, for instance, from 700,000 tonnes to nearly 800,000 tonnes but one producer calculates that by 1995 Norway could be making 1m tonnes a year of primary aluminium "within the political limits."

But that presupposes a long-term agreement on the price of electricity. At present the industry has cheap supplies from its own hydro power plants and through long-term contracts with the State Power Board. Cheap electricity is the crucial competitive advantage for Norwegian manufacturers. The proposal contained in the White Paper would have doubled the average price.

A compromise is clearly in the pipeline but until it is finalised and until the Government resolves the supply nexus, which involves a strong environmental lobby, the interests of household consumers and general macroeconomic considerations, the producers cannot be expected to go ahead with investments.

They will become increasingly vulnerable to Norway's generally high labour costs as the price of electricity rises. It is already apparent, for instance, that contrary to Government wishes it is more profitable to process primary aluminium metal into sheets and profiles abroad than to do it in Norway.

The future for the major companies at least must lie in the export of capital and know-how. Elkem took a major step in this direction with the $260m deal it concluded earlier this year to take over Union Carbide's ferro-alloy plants in North America. The Norwegian group will become the world's largest ferro-alloy producer, operating six plants in Norway, three in the U.S., two in Canada and one in Iceland.

Norsk Hydro, too, is hunting investment opportunities abroad in which to place its growing income from North Sea concessions. So far it has spent heavily on fertiliser plants but it can also be expected to snap up any profitable chance to expand its aluminium business.

Promise yet unfulfilled

ELECTRONICS

THE NORWEGIAN electronics industry has not so far lived up to expectations. Singled out in earlier industrial programmes as a branch with growth prospects in Norway's high labour cost climate, its growth has in fact been retarded.

This can be partly attributed to the collapse of Tandberg, the largest company in the branch, and of Nera, another promising concern, in 1977. But over the last two years total turnover has climbed at a rate of about 25 per cent a year and the growth curve has been parallel to that charted in the earlier programmes.

The Association of the Electronics Industry covers 33 companies which together provide about 90 per cent of Norwegian output. Last year their combined electronics turnover was close to NKr 4bn ($740m), of which about 88 per cent derived from sales of their own products.

With the failure of Tandberg the Norwegian industry has almost entirely abandoned consumer electronics. Some 95 per cent of its output is now in professional electronics, where inventive and marketing skills outweigh production costs.

The largest company is now Elektrisk Bureau, formerly a subsidiary of Sweden's L. M. Ericsson. It is a major supplier to the Norwegian telephone network. Second in reported electronics sales is Kongsberg Vaapenfabrikk, the state-owned weapons company which produces the Penguin missile and has a division for automatic tooling and design machines alongside its military electronics.

But the latest star on the scene is Norsk Data, a manufacturer of minicomputers, which claims to be the only European challenger in the field to the Americans. It has shown spectacular growth from group sales of NKr 80m in 1976 to a budgeted turnover of NKr 440m ($81.5m) this year.

It has set up production units in Sweden and France. It is trebling its share capital this year by scrip and rights issues and expects to have a London Stock Exchange listing in June. Some 20 per cent of its stock is already owned by foreign shareholders.

Operating income has advanced from NKr 5.7m in 1976 to NKr 35.4m last year and growth so far has been financed from earnings. In January it sold the first of its third generation minicomputers, a 32-bit general purpose machine, in which managing director Mr. Rolf Skaar sees "fantastic" growth potential.

Mr. Skaar and the friends with whom he started Norsk Data graduated from the Lincoln Laboratory at the Massachusetts Institute of Technology, the birthplace of the American minicomputer companies. He believes that Norway now has a good electronics "infrastructure" in young people trained in its research institutions but he feels that too many Norwegian companies are weak in marketing skills and not aggressive enough about profits.

Fields in which the Norwegians have specialised are computerised control equipment used by merchant shipping and in acoustic detection equipment for fishing. Simrad is probably the world leader in fish-finding equipment. On the military side it makes laser range-finders which are being produced under licence in Britain.

Internal telephones and other communication equipment are another Norwegian speciality, manufactured by both Gustav A. Ring and Stentor. The Gustav A. Ring group is the only producer of micro-components, supplying custom-made chips to Swedish as well as Norwegian customers.

Among the youngest generation of companies Tomra Systems has got off to a flying start by applying sophisticated technology to a very mundane problem, the sorting of bottles. Its equipment for handling returned bottles has won a large share of the Swedish market and is now being marketed on the Continent.

Signs of upturn in sight

SHIPBUILDING

AS IN most European countries shipbuilding in Norway has been a crisis industry and has had to adapt to a severely reduced demand for its products. A switch to work on offshore construction has only partially compensated for the lack of orders for new ships and overall employment at the yards has dropped by some 4,500 to around 22,000.

The decline in numbers employed on building new ships has been even greater—around 7,000. Last year deliveries from the yards totalled only 212,000 grt, the lowest recorded since the crisis started. In 1975 Norwegian yards completed ships to a total of 1m grt.

The value in current prices of the ships completed during 1980 was NKr 3.6bn ($660m); those built in 1975 were valued at NKr 4.4bn.

The Shipyards Association in Oslo hopes that last year marked the bottom of the crisis. Order books totalled 557,000 grt at the end of 1980 and deliveries will be heavier this year.

The Government has indicated, however, that it will halt all support for the yards from next year, a move which the Association would be ready to accept provided its yards can otherwise compete on equal terms with other European shipbuilders. This entails above all the ability to offer comparable building credits.

The Government's view is that the shipbuilders should concentrate more on obtaining offshore contracts, with the smaller yards working as sub-contractors. It lists the NKr 9.9bn in orders placed by the offshore industry last year, of which some NKr 7.5bn went to Norwegian companies.

Preliminary estimates for the amount of working time at the yards spent on offshore construction seem to support the Government's view. Of 30.6m work hours effected in the yards last year only 17 per cent were devoted to offshore construction, compared with 51 per cent on new ships and 32 per cent on repairs and conversions.

The shipbuilders, however, have problems in finding this offshore market. They argue that the pace of North Sea oil development will have to be accelerated before they can count on switching to offshore construction.

Over 80 shipyards still operate in Norway, most of them producing small specialised ships such as fishing vessels and coasters. Some yards have successfully developed small products, LPG (CPAS) and chemical carriers, and it is this type of vessel which figures most strongly in the current order book.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Spending now for tomorrow

Du Pont is the indisputed leader in R and D spending among American chemical producers. Sue Cameron examines its strategy

ED JEFFERSON, the British-born chemist who has just taken over as chairman of the U.S.-based Du Pont is not unique in claiming that the future of the chemical industry lies in research. But unlike some of its competitors, Du Pont is putting its money where its mouth is.

One of the international chemical industry's favourite talking points in the past few years has been the need to concentrate on research-based, high added value products in place of relatively mature commodity petrochemicals. The discussion was fuelled by the chaos that erupted in the world's oil markets after the revolution in Iran two years ago and has been given added impetus by the threat of Third World competition and the substantial losses that many petrochemical companies made last year.

Speciality chemicals have stood up to the recession better than most. But the trouble with a recession is that it is the worst moment for a company to launch an ambitious research programme designed to produce best-selling specialities.

Lip service

Many chemical companies have therefore done no more than pay lip service to the importance of boosting research spending.

Not so Du Pont. The group says that it spent more on research and development last year — and the year before — than any other American chemical producer. The claim is not disputed.

"There is nothing new in the emphasis we give to R and D," maintains Jefferson, speaking in a soft transatlantic voice that never quite camouflages the original and sharper tones of BBC English.

"Du Pont has always viewed itself in terms of research and innovation. Every department head would have felt naked without some new products, coming from good research and development."

He should know. In 1973, when he became senior vice-president of Du Pont, he took on the overall responsibility for directing and co-ordinating R and D throughout the group.

Today he gives the strong impression — despite his gentle manner — that any department head who had not felt naked without some new products in his R and D pipeline would quickly have been made to do so.

Under Jefferson, Du Pont's research effort was first given central direction. The move followed the establishment of a corporate planning department in 1975, and has resulted in an unusually well-planned research programme for each of the group's 75 major "businesses."

Du Pont's record in developing products that have both "a technological edge" and growth potential is remarkably consistent. In spite of the general view that, as the chemical industry matures, it is becoming increasingly difficult to find innovative products, there is no sign that Du Pont's rate of new product launches is slowing down.

Over the past 20 years it has brought around 80 new products to the market — about half of them between 1960 and 1970 and the other half in the past decade. Last year, these 80 accounted for around 25 per cent of the group's total sales and for some 35 per cent of its earnings.

Jefferson has the salesman's technique of reeling off the names of some of the more successful of its specialities at the drop of a hat. The list of brand names includes Kevlar and Nomex, both industrial fibres, Lycra, a fibre that is probably best known for its use in ladies' underwear, Teflon, a fluorocarbon with a wide variety of uses, Glean, a herbicide, and Nubain, a painkilling drug.

The company continues to spend ever larger sums on research and development. Spending this year will be \$570m—17 per cent more than in 1980. Last year's expenditure represented 3.5 per cent of the group's \$13.65bn sales — a fractionally higher proportion than in 1979. In some areas the percentage spent on R and D is much greater. Du Pont spends over 10 per cent on drug research, for example.

Some of Du Pont's expanding specialities are far from new discoveries. In March, for example, the company announced plans to build a £40m synthetic rubber plant at Maydown near Londonderry in Northern Ireland — the first of its kind outside the U.S. The plant will produce a high technology synthetic rubber used in the making of wire and cable under the Hypalon brand name. Yet Hypalon was first developed by Du Pont as far back as 1952 and it has been made in America for years.

The company is also planning to expand its production of Nomex, a specialised industrial fibre developed more than a decade ago. It is currently carrying out a feasibility study to find the best European site for a new, \$300m Nomex plant.

One European synthetic rubber producer said at the time of the Hypalon plant announcement: "The thing about Du Pont is that it often succeeds in going for speciality products which have little or no competition — perhaps one or two other manufacturers in the field and preferably none.

"The company usually has high profit margins and it uses these to support a strong marketing effort."

A "stronger marketing position" is one of the key aims of Du Pont's current efforts to expand its pharmaceuticals business in Europe. Jefferson says the group would be interested in making an acquisition in Europe in this field if the right opportunity presented itself. If one does not, it will look to research to enlarge its presence in the drugs market.

Traditionally, the group has expanded in-house — but over the past few years there has been a slight shift in policy and it has shown itself more willing also to grow through acquisition.

Hand in hand

Du Pont's emphasis on research, on specialities and on high added value products goes hand in hand with a desire to become less dependent on raw materials made from oil and gas (see inset left). But this does not mean that the group is preparing to pull out of commodity chemicals such as plastics and fibres altogether — far from it.

"It would be wrong to say we are trying to extricate ourselves from basic chemicals," Jefferson says. "We are not positioned exactly as we would like in some areas — such as aromatics chemicals — but we expect to remain a very substantial presence in plastics and fibres 10 years from now."

Basic chemicals such as plastics and fibres have been the hardest hit in Europe—and in the U.S.—by the world economic downturn. Hardly any European petrochemical producers made any money in the second half of 1980 and the year was a bad one—even for Du Pont.

The value of the group's total sales increased by 9 per cent between 1979 and 1980 in value terms although this was the result of a 15 per cent average rise in product prices. Volume sales dropped by 9 per cent and net profits fell by 24 per cent to \$716m.

Part of the reason why, even after the disasters of 1980, Du Pont continues to be bullish about such basic products as fibres is its strength in specialities.

"The fibres segment showed much improved earnings in the fourth quarter of 1980 as a better balance between U.S. capacity and demand made possible long overdue price increases," Jefferson says. "Prospects for fibres in the 1980s look much improved with specialised fibres leading the way."

Du Pont's search for speciality products in the basic chemicals area is being intensified by the knowledge that many Middle Eastern countries will soon be producing commodity chemicals, using their own oil and gas reserves as raw materials.

"Plastics like low-density polyethylene will be made in the Middle East by the middle of the decade and companies outside the Middle East will be taking some of that product," Jefferson says. "But we are hoping we'll be one step further down the line."

Du Pont has already pulled out of some businesses — such as dynamite and the production of acrylics in Europe, and Jefferson says the group still has a list of businesses that need to be restructured, sold or "abandoned." But he insists that the list is a very short one at present.

Looking after supplies

DU PONT is not attempting to underpin all its base chemical production in the U.S. with its own oil and gas raw materials. Jefferson says such a move would cost "several billions of dollars and would involve a commitment not consonant with our strategy."

The group has concluded two deals—one with Shell Chemical and one with Conoco—designed to give it secure supplies of oil and gas based raw materials for making heavy chemicals.

The long-term agreement with Shell will give Du Pont in the U.S. about a third of the petrochemicals raw materials it needs to buy in. The deal with Conoco involves a joint exploration programme for natural gas and Du Pont says this is "proving successful." By the second half of the decade, the deal should give Du Pont over one-third of its natural gas requirements in the U.S.

As the new chairman of Du Pont, Ed Jefferson (left) now heads a group at the forefront of its industry in R and D spending and whose chemicals and fibres are to be found in products such as (bottom right, clockwise): the BMW M1 sports car; oil rigs; diesel motor yachts; Sikorsky helicopters; and firemen's protective clothing.

The search for industrial excellence

HOWEVER depressed the economy becomes and however much Governments come under fire for crushing entrepreneurship and initiative through exececssive taxation and legislation, it seems that inventiveness and originality in business still survive.

Take, for example, Brian Newton and John Comben, who run Copine Fish from their base at Castletown, on the Dorset coast. With it origins in a straightforward fish business founded in 1975, Copine switched to marketing crabs after Newton had identified a substantial market for shellfish on the Continent, particularly Spain. However, not long after getting this business under way in July, 1979, problems arose because a disturbing number of crabs were dying in Copine's storage tanks. Comben identified the problem as lack of oxygen during the transportation period and set about designing a new type of tank. His success has been reflected in the company's profits since then.

Ten years ago, Lloyd Sole began Electrolocation, a company that makes detection instruments for locating utilities buried beneath the ground —cables, pipes and drains. He prospered, but in 1975 sold out to Rotork, a manufacturer of valve control equipment, marine craft and marine tools. Within a fairly short time, though, Rotork's growth path took it into areas it felt had little synergy with Electrolocations. So, three years ago what has now become fashionably known as a "management buy-out" took place, with Sole being joined by Andy Garnett, former Rotork sales director, and Howard Coles, Electrolocation's company secretary, in the purchase of the company. Today, after early losses, the trio have pulled the company round and it is now expanding overseas into France, the U.S. and West Germany.

Copine and Electrolocation are just two of more than 200 companies which have taken part in a competition over the past 18 months to win an "Industrial Achievement Award." The competition, sponsored by Bowmaker Group, the financial services subsidiary of the C. T. Bowring insurance group, and Development Capital, in conjunction with Accountancy, the journal of the Institute of Chartered Accountants, was designed to encourage small businesses and carries a £10,000 first prize, to be awarded next week.

Competitors had to show how they had overcome problems and had marketed a product or an idea successfully. Companies with turnovers of between £50,000 and £10m were eligible.

What has emerged from the competitors has been the degree of dedication and hard work which has been necessary to succeed. Equally, many of those which have won the monthly heats of the competition have illustrated how important the wives of the entrepreneurs have been.

Indeed, with VDU Installations, it was Rita Battersby, wife of Bert Battersby, VDU's managing director, who started the company back in 1977. VDU was founded to plug a gap in the computer market. Bert Battersby, when working at IBM, realised that there was a real shortage of expertise to provide the links between computers and peripheral equipment, such as visual display units (VDUs), and printers.

Battersby had no luck in interesting some acquaintances with the idea, so his wife decided to have a go at getting a business off the ground which would advise, supply and instal cables and connectors to link visual display units. Rita Battersby had had some previous business experience in helping to set up an employment agency. When the business took off, Battersby eventually left IBM to promote VDU's growth, a move which has proved successful.

Copine, Electrolocations and VDU are examples of the wide range of businesses that have emerged in the competition. Others have been Gyro Mining Transport—established to manufacture a new type of mining transportation system; Ready Scaffolding—set up to exploit a new, simple and inexpensive scaffolding system; and M. and E. Harrison, a family bakery business which has been revitalised over the past six years by Stuart Harrison, the present chairman.

The winner will emerge next week, with the prize of £10,000 being awarded by Sir Monty Finniston, chairman of the judging panel.

Industrial Achievement Award, Development Capital, 88, Baker Street, London, W.1. Tel.: 01-486 5021.

Nicholas Leslie

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Starting in business

If money is put into a dollar deposit account, and the exchange rate falls, so that on reconversion to sterling there is a gain, how is this gain treated for tax? Is it ignored; is it treated as unearned income; or is it treated as capital gain? Another question is whether in the starting of a new business, where losses of the first three years can be set against tax paid in recent passed years: can these be offset against tax paid on unearned income?

1. If the deposit account is with a bank, the gain would be chargeable to capital gains tax (subject to the usual CGT rules). If the account is with some other type of company or partnership, however, the gain would be exempt from tax, as explained in the reply published in our Business Problems column on March 4, under "Asset exempt from CGT."

2. Yes, but earnings must be offset first, broadly speaking. A free booklet "Starting in Business" (IR28) is obtainable from your tax inspector.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

LOMBARD

Facing two ways on wages

BY JOHN LLOYD

IT WAS the wisdom of last September's Trades Union Congress to leave the Labour movement facing both ways on incomes policy.

It is now the duty of the TUC, in conjunction with the Labour Party, to "work out proposals on which the next General Election can be fought" in the general context of a planned economy understood to include the planning of wages (as per Congress Resolution 15): while at the same time remaining mindful of the injunction that the "General Council shall not enter any discussions about the possibility of TUC agreement to any policy of pay restraint" (as per Congress Resolution 16).

The practical leaders of the Labour Party and the trade unions have squared a few circles in their time: but this one has to be handled with some finesse.

Opposition

Much of the running in the past two years has been made by those opposed to incomes policy. Two weeks ago the Scottish TUC, traditionally leftist, pledged opposition to wage restraint "imposed or informal, through cash limits or guidelines." Last weekend, the conference of the Wales TUC threw out a consultative document published earlier this year which proposed a new-style social contract complete with incomes policy.

Union conferences — the season for them has now begun —will show more variation. The right-dominated white-collar union, Apex, rejected a call for free collective bargaining in place of a "sensible policy of co-operation" with a future Labour Government at its conference last month. The Amalgamated Union of Engineering Workers' national committee did much the same last week.

In the inner councils of the movement, where pressure to resolve these debates one way or the other is increasing, the sound of silence grows louder. The National Executive Committee's interim statement, "Labour's Plan for Expansion," published last week, makes only a hopeful allusion to the "close co-operation that will exist between the next Labour Government, the Party and the trade union movement at every level"—a formula which found favour with the NEC against two alternative passages which invoked incomes policies in less opaque terms. The NEC will not, it seems, break silence first.

The pressure thus shifts to that cockpit of policy-making, the TUC-Labour Party Liaison Committee, attended by the big guns of the NEC, the parliamentary party and the trade unions. It is the instrument charged with "working out proposals on which the next Labour Government can be fought," and it is trying to do just that.

A specially formed subcommittee, taking in many of the liaison committee's most senior members, has gone some way down the road of working through ideas on planning and industrial democracy: the full committee has discussed the planning of trade, investment, growth and employment. It must, before too long, consider whether or not the planning principle covers incomes, too.

It is too early to say for sure how these considerations might go. There are powerful voices against it, or very doubtful about it. Mr. Tony Benn and Mr. Eric Heffer of the NEC would find it hard to stomach. Mr. Moss Evans of the Transport Workers and Mr. Clive Jenkins of the white collar union ASTMS have unions whose activists hate it.

Yet there are powerful voices for it, too. Mr. Peter Shore, the Shadow Chancellor, is one: Mr. Eric Varley, the shadow employment secretary, is probably another.

Jungle

In the course of the Scottish TUC debate on the issue, Mr. Tom Jackson, a lonely centre-right voice in that gathering, pointed out that every socialist society had planned for incomes. Mr. Michael McGahey, the Communist vice-president of the Scottish mineworkers replied that that was all very well but British workers were in a jungle and played by its rules.

Somewhere between these two classic positions, the circle must be squared, an accommodation reached—a suspension of jungle behaviour while the task of clearing it is once more attempted, perhaps?

How Chaucer coped without a lawnmower

GARDENS TODAY

BY ROBIN LANE FOX

IT HAS still been too cold to make much sense of the garden, so I have been looking forward to the time when the flowers of late spring and early summer will coincide.

Nobody has a dull garden when there are wallflowers and early irises, violets, rosemary and the fresh green of the beech trees' young leaves. These, and other spring flowers, are the enduring beauties of our European gardens. Their fame goes right back to the first proper gardens in the West and I want to dwell on them this week because at last we have a book about their past admirers which does the subject justice.

Ignorance

Much has been written about Europe's Renaissance gardens but far less has been discovered about the gardens which went before them. History pays their respects to the monasteries, and adds a few lines from Chaucer before moving on. Our medieval gardens have suffered from our ignorance of their masters' records and from an unawareness of their range of flowers. They have long deserved a close look from a historian who could use documents and keep a level head in their maze of poems and religious literature.

Medieval English Gardens (Collins; £12.50) proves Teresa McLean to be mistress of these arts. Hers is much the best book on this subject. It has that mixture of charm and utility which marked out the best medieval practice of herbs and flowers.

As the grass is beginning to grow wildly, this is a fit moment to wonder how the Middle Ages managed without lawnmowers. No wonder their gardens were prized as places of retreat in the days before weekend mowers made their ill-timed rotary law. Medieval gardens enclosed a "flowery mead" inside their walls and trellises which they covered with flowering climbers.

These meads were small patches of grass into which they planted their desirable flowers. In paintings and woodcuts they look very charming and Chaucer has some fine lines on their sweet embroidery. Although I wonder what they look like in August, Teresa McLean puts their popularity beyond doubt. Periwinkles, violets, primroses and daisies were left to make "carpets of fresh flowers, blue and white and red." They were set directly into grass which was allowed to grow long throughout the season.

Medieval gardens, therefore, were at their best in spring and early summer before the grass was luxuriously long. The mowing industry and its modern army of supporting labour were never given a chance. In flowery meads men did not toil to and fro between the cylinder mower and an ever-filling wheelbarrow. While we sweat and grumble, they "danced, played chess and tables, told stories, walked and rested."

Ladies were loved and their fine stockinged ankles were admired. In their gardens ladies "played with pet squirrels and monkeys, talked with caged magpies and the parrots which Crusaders brought back from the Middle East and listened to the songs of caged larks and nightingales.

It must also be said that when they sat down they were protected by their very long skirts.

I wonder if our eyes could ever adjust to this again. Ladies and caged magpies are one thing, but unshorn grass and a pattern of daisies would be quite another. But poets and young bloods admired them for centuries and I would be gladly rid of the summer's most boring business. Flowery meads were not confined to those wild spaces where formal gardens ran out. They were the main patches of gardens between the formal walls and stood beside fountains, paths and a few raised beds. When the grass gets the better of you, tell the neighbours that it is all a return to Chaucer.

Teresa McLean has a proper respect for medieval walls, for the fashion of the "Rosamund bower" which our Henry II encouraged at Woodstock and for the multiplicity of medieval roses. She implies that medieval gardeners looked at their flowers through the ideas of their Bible and religion. At times, I feel she may be writing a separate book on the religious overtones of flowers and their imagery for the saintly few. But she has some marvellous details which bring the old favourites back to life.

In the flowery mead no flower was more prized than the simple periwinkle. Its flexible stems were twined into wreaths and allowed to trail inside the walled garden. "Its stalks are so faint and fey," an English doctor fondly remarked, "it nevermore groweth high." At the same time we learn that the periwinkle was used for the death wreaths of condemned prisoners. Medieval rippers would go to the gallows with a trailing garland of gardeners' Vinca wrapped round their heads. I will never look at the clear blue flowers on my Vinca Bowles variety in quite the same light again.

Roses, of course, were food for thought and much else besides. For rose sugar, rose windows, rose tapestries, rose badgers and beds of thorny rose alba and its heavily petalled flowers. Beds of our modern albas Celestial and Queen of Denmark would delight any medieval eye. I had no idea that the oldest rose in the world could be traced back to Charlemagne across 1,000 years.

In the cloisters of Germany's Hildesheim Cathedral, a common dogrose has been rooted for over 500 years. In 1884, it was cleaned, drained and replanted—and promptly put out new suckers which are already a century old. Miraculously, it survived the bombs which wrecked the cathedral round it in 1945. The tree's height was reduced but it is now back to 30 feet. In 1950, the town clerk examined the tree in detail and announced that it was more than 1,000 years old. As this book well puts it: "If we were medieval we would believe it all without thinking twice."

We would also make more of our pinks, gillyflowers and wallflowers. They cured medieval heart attacks, filled medieval courtyards and even paid the rent. Instead of cash, landlords would often ask for token gillyflowers to be paid by their tenants in spring or autumn. These clove pinks were always hardy so they served as a useful currency whenever the medieval M3 was being pushed officially into its corset. You see, perhaps, why this column has run so long, giving tips to a decade of uncontrolled credit and telling those in the know how to grow funds for the unofficial economy.

Serenade

The wallflower also symbolised unhappy love. Around 1400 a Scottish baron turned up to serenade a nearby earl's daughter who was already betrothed to the future king. While he sang an offer of elopement below her window, she threw down a sprig of wallflower to show that she approved. Down, in due course, came a rope but when she tried to slide down, it broke and sent her to her death. Her suitor took a prolonged holiday in Europe and wore a wallflower in his cap all summer, setting a fashion for the flower as the emblem of faithful love. "To be a wallflower at a medieval dance was an honour, not a disgrace."

Royal weddings have led to the oddest preludes, so while you watch out for signs of a new floral fashion among Europe's tourists this summer, I recommend you to this unusual book based on unused sources, an eye for detail and a love of its times.

Dawn Johnny for Chester Cup

RACING

BY DOMINIC WIGAN

A MIGHTY cheer will erupt from the packed stands if Sea Pigeon and Lester Piggott land the Ladbroke Chester Cup at 3.20 this afternoon. And who is prepared to say emphatically that they are not capable of doing so?

Sea Pigeon, surely the most versatile performer of modern racing, has already won this prize twice and, at the age of 11, shows no signs of deterioration. In Piggott he has the ideal rider to conserve and exploit the remarkable turn of finishing speed that he has so often produced both over hurdles and in important long-distance handicaps on the flat.

The question, to my mind, is whether with 10 st in the saddle, he will prove capable of conceding 32 lbs to Dawn Johnny, a four-year-old colt trained by Michael Stoute at Newmarket. Dawn Johnny, who divided Russian George and Popsi's Joy in a close finish for the Queen's Prize at the Kempton Easter meeting, will have benefited as a result of that race, and connections will be surprised if he is beaten.

Moreover, they have a clear line to Sea Pigeon through Shaftesbury, who defeated him here in 1979, and again at York last autumn. If sentiment prompts me to nominate Sea Pigeon, logic compels me to choose Dawn Johnny, and so he is my selection.

Golden Bowl, a lightly made filly by Vaguely Noble, out of a half-sister to Ile de Bourbon, is a confident choice for the Cheshire Oaks (3.50). Her form as a two-year-old was superior to that of her opponents and she shaped well on her first appearance of the season at Kempton the other day. Bold Fort, who has flown out of the stalls on both his previous outings, only to be caught near the winning post, will find this sharp track suitable in the Philip Cornes Nickel Alloys Stakes Qualifier (2.45).

Finally, the Roodeye Stakes (4.50) appears to be a formality for Goodbye Starter, who finished close-up fifth behind Motavato in the Tote European Free Handicap at Newmarket three weeks ago.

CHESTER
2.15—Vienora
2.45—Bold Fort
3.20—Dawn Johnny***
3.50—Golden Bowl**
4.20—Cornishman
4.50—Goodbye Starter*

SALISBURY
3.00—Crimson Court

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra high frequency only). 10.00 For Schools, Colleges. 11.25 You and Me. 11.40-12.30 pm For Schools, Colleges. 12.42 Regional News for England (except London). 12.45 News. 1.00 Pebble Mill At One. 1.45 Bagpuss. 2.01 For Schools, Colleges. 3.53 Regional News for England (except London). 3.55 Play School (as BBC2 11.00 am). 4.20 Hong Kong Phooey. 4.30 The Enchanted Castle by E. Nesbit.
5.00 John Craven's Newsround.
5.10 Wildtrack. 5.35 The Amazing Adventures of Morph.
5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide.
7.00 Tom and Jerry.
7.10 The Wonderful World of Disney.
8.00 Terry and June.
8.30 Lena.
9.00 Party Political Broadcast by the Labour Party.
9.10 News.
9.35 The Risk Business.
10.10 Sportsnight.
11.00 Paperbacks.
11.38 News Headlines.
11.40 "Find Me First," play by Shelagh Delaney.

All Regions as BBC1 except as follows:

Cymru/Wales—2.18-2.38 pm I ysgolion: hyn o fyd. 5.55-6.20 Wales Today. 7.00 Heddiw. 7.30 Cwlwm 81. 8.00 The Centenary Rugby Quiz. 9.00-9.10 Party Political Broadcast by the Labour Party in Wales. 12.10 am News and Weather for Wales.

Scotland—12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 9.00-9.10 Party Political Broadcast by the Scottish Labour Party. 12.10 am News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 12.10 am News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
10.20 Gharbar.
11.00 Play School.
2.00-4.00 Racing from Chester.
4.50 Open University.
6.55 Take the Mike.
7.25 Mid-Evening News.
7.35 Did You See . . . ?
8.10 Omm Seti and her Egypt.
9.00 Party Political Broadcast.
9.10 Rhoda.
9.35 Private Schulz.
10.25 Personal Pleasures with Sir Hugh Casson.
10.50 Newsnight.

BBC2 Scotland only: 9.00-9.10 pm Party Political Broadcast by the Labour Party in Scotland.

BBC2 Wales only: 9.00-9.10 pm Party Political Broadcast by the Labour Party in Wales.

LONDON

9.30 am For Schools. 12.00 The Munch Bunch. 12.10 pm Rainbow. 12.30 About Britain. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 After Noon Plus. 2.45 Project UFO. 3.45 Play It Again. 4.15 Five Magic Minutes. 4.20 Whizzkids Guide. 4.45 Echoes of Louisa. 5.15 Mr. and Mrs.
5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 Where There's Life . . .
7.30 Coronation Street.
8.00 The Benny Hill Show.
9.00 Party Political Broadcast by the Labour Party.
9.10 Heroes—a report by John Pilger.
10.10 News.
10.40 Mid-Week Sports Special.
†11.50 Coronation Street.
12.20 am Close: "Sit up and Listen" with Alec McCowen.

All IBA Regions as London except at the following times:

ANGLIA

1.20 pm Anglia News. 2.45 Then Came Bronson. 6.00 About Anglia. 11.45 S.W.A.T. 12.40 am The Big Question.

ATV

1.20 pm ATV News. 2.45 It's a Musical World. 5.15 Survival. 6.00 ATV News. 6.05 Crossroads. 6.30 ATV Today. 11.45 A Place in the Sun.

BORDER

1.20 pm Border News. 2.45 Fantasy Island. 5.15 University Challenge. 6.00 Lookaround Wednesday. 11.45 Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News. What's On Where and weather. 2.45 It's a Musical World (Elkie Brooks). 5.15 University Challenge. 6.00 Channel Report. 9.00 A Chance To Meet . . . Sir John Mills. 10.38 Channel Late News. 11.45 News and weather in French followed by Epilogue.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 2.45 The Love Boat. 5.15 Diff'rent Strokes. 6.00 North Tonight. †10.40 Coronation Street. 11.10 Midweek Sports Special. 12.15 am North Headlines.

GRANADA

1.20 pm Granada Report. 2.00 Silver Wedding. †2.50 Wagon Train. 4.15 Hey, It's My Birthday Too! 5.15 I Love Lucy. 6.00 Granada Reports on the Road. 6.25 This is Your Right. †10.40 Coronation Street. 11.10 Midweek Sports Special. 12.15 am Have Gun Will Travel.

HTV

1.20 pm HTV News. 2.00 Houseparty. 2.25 "The Girl On The Late, Late Show" starring Don Murray. 5.15 Dick Tracy. 5.20 Crossroads. 6.00 Report West. 6.30 Survival. 10.38 HTV News. †10.40 Coronation Street. 11.10 Midweek Sports Special.

HTV Cymru/Wales—As HTV West except: 12.00-12.10 pm Ffalabalam. 4.15-4.20 Sand Tin Coyote. 4.45-5.15 Stesion y Byd. 6.00 Y Dydd. 6.15-6.30 Report Wales.

SCOTTISH

1.20 pm News and road and weather. 2.45 Certain Women. 5.15 Tales of Crime. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Toye's Talk Back. 6.30 Report. †10.40 Coronation Street. 12.15 am Late Call.

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. 2.25 Story Hour. 3.15 Life Begins at Forty. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Day by Day. 6.35 Scene Midweek (South East Area only). †10.40 Coronation Street. 11.10 Midweek Sports Special.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News. 1.25 Where the Jobs Are. 2.45 Young Ramsay. 3.15 Life Begins at Forty. 5.15 The New Fred and Barney Show. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 10.40 North East News. †10.42 Coronation Street. 11.10 Midweek Sports Special. 12.00 Why Are You Afraid?

ULSTER

1.20 pm Lunchtime. 2.45 It's a Musical World. 4.13 Ulster News. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 10.39 Ulster weather. 11.45 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 2.45 It's a Musical World (Elkie Brooks). 5.15 University Challenge. 6.00 Westward Diary. 10.41 Westward Late News. 11.45 Faith for Life. 11.50 West Country weather and shipping forecast.

YORKSHIRE

1.20 pm Calendar News. 2.45 It's a Musical World with Barbara Dickson. 5.15 Diff'rent Strokes. 6.00 Calendar (Emley Moor and Belmont editions). 11.45 A Place in the Sun.

(S) Stereophonic broadcast
‡Medium wave

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Peter Powell. 7.00 Radio 1 Mailbag. 8.00 Richard Skinner. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 David Hamilton (S). 2.00 Ed Stewart's Request Show (S) including Racing from Chester. 4.00 Much More Music with David Symonds (S). 5.55 Party Political Broadcast by the Labour Party. 6.00 John Dunn (S). 8.00 Listen to the Band (S). 8.45 Alan Dell with Dance Band Days (S). 9.15 Among Your Souvenirs (S). 9.55 Sports Desk. 10.00 It's a Funny Business says Dora Bryan. 10.30 Hubert Gregg says Thanks for the Memory. 11.00 Brian Matthew with Round Midnight, including 12.00 News. 2.00-5.00 am You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice (S). 8.00 News. 8.05 Your Midweek Choice (continued). 9.00 News. 9.05 This Week's Composers: Stenhammar and Wiren (S). 9.45 Frans Bruggen (S). 11.00 Mozart Piano Sonatas (S). 11.55 Northern Sinfonia Orchestra (S). 1.00 pm News. 1.05 Concert Hall (S). 2.00 Music Weekly (S). 2.50 Now and Then (S). 4.15 Haydn concert (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 Alicia de Larrocha (S). 7.15 "The Greek Passion," opera in four acts by Martinu, in the Welsh National Opera production, from the New Theatre, Cardiff: Act 1 (S). 7.45 Interval Reading. 7.55 "The Greek Passion," Acts 2 and 3. 9.05 Six Continents. 9.25 "The Greek Passion." Act 4 (S). 10.00 Scientifically Speaking. 10.40 Schubert with Variations (S). 11.00 News. 11.05-11.15 Piano Nocturne (S). VHF only—Open University: 5.55-6.55 am and 11.15 pm-12.35 am and for Students in Scotland, Wales and Northern Ireland only 12.35-12.55 am.

RADIO 4

5.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day, 7.00, 8.00 Today's News. 7.30, 8.30 News Headlines, 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Mid-week: Russell Harty's People. 10.00 News. 10.02 Gardeners' Question Time. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Baker's Dozen (S). 12.00 News. 12.02 pm You and Yours. 12.27 The Buckingham Palace Connection by Ted Willis (S). 12.55 Weather; Programme News. 1.00 The World at One. 1.35 Party Political Broadcast by the Labour Party. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre. 3.50 Letter from Jerusalem by Michael Elkins. 4.00 Choral Evensong (S). 4.45 Story Time. 5.00 PM: News Magazine. 5.50 Shipping forecast. 5.55 Weather; Programme News. 6.00 News. 6.30 My Music (S). 7.00 News. 7.05 The Archers. 7.20 Checkpoint. 7.45 Analysis: Europe—What's in it for Me? 9.15 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The Lord of the Rings by J. R. R. Tolkien (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 Morning Star. 10.03 The Robbie Vincent Telephone Programme. 12.30 pm London News Desk. 12.40 The Total Music Show. 2.30 Tony Blackburn. 5.00 News. 5.15 The Good Vote Guide. 5.30 Music on the Move. 6.33 The Name of the Game . . . Football. 7.03 Black Londoners. 8.00 As Radio 1. 10.00 Question Time from The House of Commons. 11.00-5.00 am Join Radio 2.

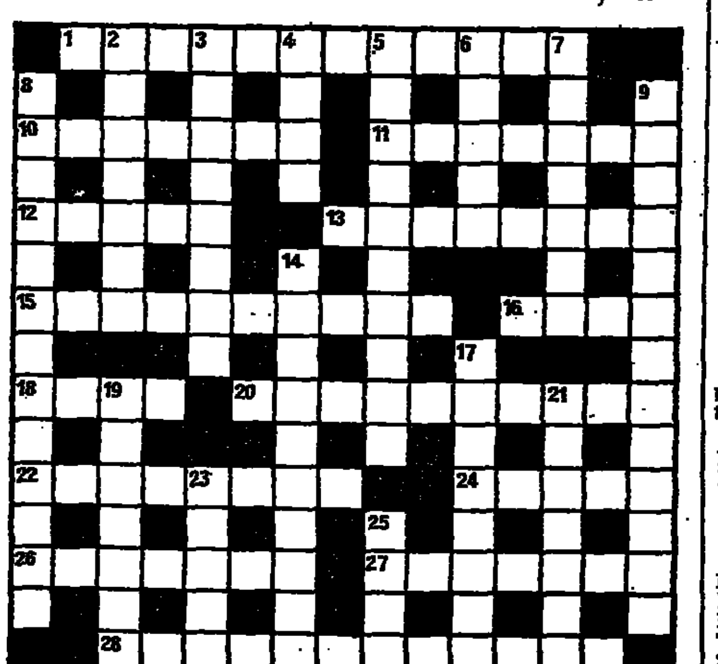
London Broadcasting

6.00 am AM: Bob Holness and Douglas Cameron. 10.00 Brian Hayes. 12.00 LBC Reports. 7.00 pm London Life (includes a feature on Jazz). 9.00 Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 4.00 Network. 5.00 Morning Music.

Capital Radio

4.00 am The Early Show. 7.00 Mike Smith's Breakfast Show. 10.00 Michael Aspel. 12.30 pm Mike Allen. 1.00 First Report. 1.10 Mike Allen (continued). 3.00 Roger Scott. 6.30 London Tonight. 8.30 Nicky Horne. 10.30 John Sachs's Late Show. 12.00 Midnight Special.

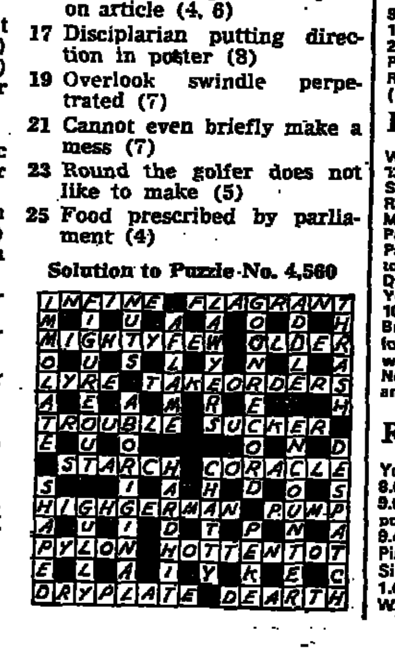
F.T. CROSSWORD PUZZLE No. 4,561



ACROSS
1 Fail to win a solo game and become intolerant (4, 8)
10 Receptionist in throng eastern ship (7)
11 Purveyor to supply food to Queen (7)
12 Spike of corn, before second half of July is in good time (5)
13 Appendage or notice in front of pit with mud put back (8)
15 A unique orchestra? (3-3, 4)
16 Foretoken in circular letter to people (4)
18 Support the rear (4)
20 Cycle around a fantastic figure like a schoolmaster (10)
22 Criminal making the Scottish go and rest abnormally (8)
24 Preserve article left in a groove (5)
26 A cat is male in this particular theory (7)
27 I'll take a point in disorder (7)
28 Endless telephone call for an item of jewellery (8, 4)

DOWN
2 Objection to suffice and keep in view (7)
3 Common daily (8)
4 Recess in church when start of sermon is put into copy (4)
5 Accompanying event with a learner (10)
6 Egg on soldiers using saltpetre (5)
7 Dignitary of a monastic and a nobleman (7)
8 Famous oriental robber . . . (5, 2, 6)
9 . . . and wherein he was trained? (8, 5)
14 Sailor making skilful joint on article (4, 6)
17 Disciplarian putting direction in poster (8)
19 Overlook swindle perpetrated (7)
21 Cannot even briefly make a mess (7)
23 Round the golfer does not like to make (5)
25 Food prescribed by parliament (4)

Solution to Puzzle No. 4,560



ENTERTAINMENT GUIDE

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[illegible]

CINEMAS

[illegible]

ART GALLERIES

[illegible]

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[illegible]

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THE ARTS

Television

In the beginning . . . by CHRIS DUNKLEY

The emergence of BBC2 as a power in the ratings battle between ITV and BBC must be giving Brian Wenham, the Controller of BBC2, a fair amount of satisfaction. As the opening of Britain's second commercial channel draws slowly nearer, the BBC presumably consider the contribution of their own well-established second channel vital to the business of maintaining the BBC's credibility as beneficiaries of the licence fee.

So the BBC, and especially Mr. Wenham, will have been happy to see their competitors' JICTAR figures showing BBC2 taking an 11 per cent share of the audience for March, having been credited with the same percentage in February. The BBC's own figures are even better, showing a BBC/ITV split of 53/47 in their own favour whereas JICTAR give BBC1 38 per cent and consequently make the split 49/51 in ITV's favour. Whatever the details everybody seems agreed that BBC2 is capturing a larger proportion of the audience than it used to.

For the more demanding viewer who has long relied upon BBC2 to provide richer and more thoughtful material than the rest of television, the question is whether that increased audience is being attracted by lowering sights and bringing the general tone of the channel closer to that of BBC1 and ITV. The answer happily, some would say magically, seems to be—No.

BBC2's biggest audiences in March were for the old Western *Shane* and a *Fawlty Towers* repeat which each attracted about 11m viewers. Clearly both programmes were of a sort that might be shown on BBC1 or ITV, but equally clearly they are very high quality examples and do not represent any dramatic dropping of BBC2 standards: long ago the channel was carrying the uneven Western series *Alias Smith And Jones* and it has often featured poorer comedy than *Fawlty Towers*.

Furthermore, the output during the past week, far from suggesting any deterioration, has been more than usually impressive. We have seen the last episode of Peter Ransley's extraordinarily powerful *Bread or Blood* which was as much about morality as about agriculture, and enlighteningly if painfully so. In *An Evening With René Clair* on Saturday nearly four hours were devoted to one man's work, fulfilling one of the early promises of the channel to offer thematic evenings and proving, sadly, that even Gavin Miller does own a tie.

William Douglas-Home was allowed to over-develop the structure of his play *You're All Right How Am I?* into what felt like a "second act" with patient and psychiatrist literally changing places when he would have been better advised to leave it as a slight, sardonic and very funny one-act play. Even so the work showed again that "Playhouse" is currently the most interestingly varied drama slot on British television.

Lion on Tuesday proved to be one of those odd single programmes which crop up so rewardingly, more often (I think) on BBC2 than elsewhere. Peter West showed taxidermist Roy Hale going through all the stages necessary to produce a stuffed lion, and although there should have been either more spoken explanation or none, the stylised technique, as of eavesdropping, mostly worked very well.

Under Brian Wenham the channel seems less keen than most on umbrella titles, *Chronicle's* now being demoted, for instance, in favour of the true subject matter of each episode. Thus, after "The Crime of Captain Colthurst" on Monday the series was back to its more usual stamping ground, exploring a newly restored Roman mosaic on Wednesday in "Orpheus and the Gentleman Farmer" which told me slightly more than I wanted to know about Littlecote.

The other returning series, *The Levin Interview*, which with its participants well-lit against black backgrounds still looks very good, opened with one of the stickiest interviews I can remember. Levin's subject, John Osborne, seemed willing enough but hopelessly incapable of self-revelation. Levin, doubtless in desperation, tried wildly contrasting baits: first Osborne was the most benign of men, wasn't he, and next he didn't have much regard for the human race, did he? If producer John Shearer can go easy on the writers and find Levin more musicians he may do us all a favour.

Andrew Sachs and John Cleese in Fawlty Towers.

The channel's next-to-most-important opening of the week was *Dayan*, a three-part profile of the Israeli soldier, politician and amateur archaeologist. Part 1 combined familiar constituents—archive film, interviews, still photographs and so on—but in an uncharacteristically inchoate manner. Instead of simply starting at the beginning and moving chronologically through his life, or else dealing with one aspect of his life at a time in whatever order, this programme jumped back and forth continually from the early kibbutz (Dayan being the first baby born on Israel's first kibbutz) to Dayan's admittedly illegal archaeology to the politics of Ben Gurion and so on.

Informative enough, it lacked the professional smoothness we have come to expect of such biographies from the BBC and left one wondering how far, if at all, this was because the series is "A Rimon Communications Ltd. Production In Association With The BBC".

The week's most important new series on any channel was BBC2's *The Making Of Mankind* which is also a co-operation (with Time-Life) but presumably with editorial control remaining entirely in BBC hands. Certainly it looks from Programme 1—which in view of its anti-creationist attitude was rather mischievously entitled "In The Beginning"—as though this series will win the right to stand alongside the BBC's other blockbuster lantern-slide lectures. Indeed Brian Wenham is already talking of one day showing *Life On Earth*, *The Making Of Mankind* and *The Ascent Of Man* consecutively. With tea breaks one hopes . . .

Presenter Richard Leakey and producers Graham Massey and Peter Spry-Leverton did a remarkable job in Part 1 in dovetailing into one platform the planks of the different disciplines and ideas which are needed before you can even start putting forward palaeontological theories: rock stratification, natural selection, carbon dating and so on were fitted together so smoothly that you could not see the joins.

Technically it was masterly, with some unusually good models and graphics to show deposit of silt in estuaries and the changing of river courses, and a band of weirdly convincing and oddly moving prehistoric men who, although it was far from clear on a single viewing, turned out to be actors in masks.

After only one of the seven episodes, however, it does seem that *The Making Of Mankind* may differ importantly in two ways from previous series such as Bronowski's. First, *The Making Of Mankind* keeps on impinging upon religious belief and, second, though closely associated, Leakey has a proselytising zeal which can slide over into arrogance and may offend as often as it converts or endears. The evidence so far suggests that he will go out of his way to represent differing points of view on (for instance) theories of gradual and sudden evolutionary change. Such even-handedness is admirable, but it is only a question of degree within one side of the argument.

When, with only circumstantial genetic evidence and no "proof" from his own fossil records, he asserts of chimpanzees "There can be no doubt that we share a common ancestor" he is simply wrong. Not only can there be doubt, but some of it is manifested by men who command at least as much respect as Leakey. Nor is this a lone example; he resorts with disappointing readiness to such words as "unquestionably."

It is of course high time that a medium which has done so much to reinforce religious dogma should start doing more for views such as Leakey's. But since most of what he says makes such unusually good sense, it does seem a pity that he should lapse periodically into a tone so close to that of religious zealotry to put it across. That said, the series is strikingly good to look at (as is Leakey's excellent accompanying book*) and there is much more to come, Part 1 having been largely a scene-setter.

Anyway, whatever one may say in terms of detailed textual criticism, a series with the aims and scope and the sheer expertise of this one would, if made virtually anywhere else in the world, be the greatest thing they had ever done. We have come almost to expect such material from BBC 2 so that we are no longer surprised by it. That, in itself, is a great achievement.

* *The Making Of Mankind*, Michael Joseph, £9.95.

Covent Garden

The Sleeping Beauty

Last night the Royal Ballet performed *The Sleeping Beauty* at the Royal Opera House. There is nothing unusual in that—it was the 560th time that the company has presented *Beauty* at Covent Garden, and the statistic might alone seem worthy of comment. But this performance marked, to the day, the 50th birthday of our national ballet.

On May 5 1931, at the Old Vic Theatre, a group of dancers gave a programme of six short ballets by their director, Ninette de Valois. This was the Vic-Wells Ballet, its numbers boosted to 19 for this first season by the addition of an actor, two male dancers, eight extra girls, and Anton Dolin, a stellar figure, as guest. The troupe owed its existence, essentially, to two women: to Nanette de Valois, whose determination to make an English ballet was the motive force behind the enterprise; and to Lilian Baylis, lessee and manager of the Old Vic, patroness and guardian angel to drama, opera and ballet at that theatre and at the newly re-opened Sadler's Wells.

It is important to stress how brave was that May evening in 1931. The idea of a permanent dance company, of "ballet in English," was optimistic at a time when the ballet public was still mourning the loss of the Ballet Russe, defunct with its animator, Diaghilev, in 1929. Then "ballet" in Britain meant the expatriate Russians: 50 years later it means the great national company that has emerged surely and sturdily from those first performances by the Vic-Wells.

The story has been told by Alexander Bland in an official history of the Royal Ballet which is published to mark the golden jubilee of the company. *The Royal Ballet: the first fifty years* (Threshold Books: £17.95) is a panorama skilfully painted by a critic who has known the company from its early years, who writes with discretion and felicity. Well designed, the book has a great many illustrations which are for the most part good, though I would quibble at the darkness of some reproductions, and note that several of the pictures would benefit from careful cropping.

The story is cogently told, and fast as is the pace, we are not made to feel breathless: it is a clear, persuasive survey, backed by impeccable checklists of personnel, dates, ballets, tours. And, as a pendant, Katherine Sorley Walker and Sarah C. Woodcock, who worked on the Bland volume, have devised a paperback *Picture history of the Royal Ballet* (Corgi Books) in which a succinct and apt choice of words and illustrations tells the story of 50 years and gives an honest sensitive portrait of the company.

Implicit in last night's staging of *Beauty* are the solid foundations under the Royal Ballet. Here is a company presenting a cast trained and shaped by its school and its performing traditions, in the greatest and most demanding of the 19th century classic ballets. The dance manner has a recognisable and admired British style: lyrical, unforced in elegance, always musical. This production, its dancers, the schooling sustaining the company, its placing in the greatest theatre of the capital, represent the fruition of the past half-century's work and planning.

All things considered, this has been an enterprise wise, noble in aspiration, grand in achievement.

It has produced great dancers, great choreography, a great corps de ballet; it is the result of immense hard work and dedication by many people. But today, although she determinedly deflects the praise and the bouquets, and has rightly observed that "it takes more than one person to make a ballet company," we have to salute Dame Ninette. Whatever the help of the myriad others who have worked for the Royal Ballet, it is to Dame Ninette that we owe special gratitude and affection. Thank you, Madam.

CLEMENT CRISP

Gardner Centre, Brighton

Peter Grimes by ELIZABETH FORBES

At last year's Brighton Festival, New Sussex Opera presented Mussorgsky's original version of *Boris Godunov*. This year the company, founded only in 1978, is offering Britten's *Peter Grimes* at the Gardner Centre Theatre. The choice is a happy one: its subject is still highly relevant to a seaside town lashed, as last weekend, by gales and high seas, and local expertise is everywhere evident in Nicholas Hytner's exciting production, while the fishermen of Newhaven receive thanks for advice in the programme. Then *Grimes* is a chorus opera, and the NSO chorus, some 40 strong, provides the company's sturdy backbone.

The basic set, designed by Kit Surrey, a new and welcome recruit to opera, is an arrangement of boards on trestles, as convincing outside on the Borough beach as inside the Boar, backed by horizontal lines of rope. Mr. Hytner deploys his forces skilfully; reinforced by a dozen actors and children, the big choral scenes are as overwhelming dramatically as they are vocally. The Borough seethes with life as boats and nets are repaired, fish gutted, but by using the arms of the stage embracing the orchestra and one of the side balconies, this activity never interferes with the main characters or the drama played out between them.

The professional cast of soloists is collectively well-balanced and individually interesting. Neil Jenkins, a Grimes in the lyric Pears style rather than the heroic Vickers mould, makes a believable fisherman and visionary, singing his more introspective music with much tonal refinement. Before the final monologue he drags in the body of the apprentice, which is later dumped in Grimes's boat by Balstrode, presented by Alan Watt as a tower of strength, both to his friend and, vocally, to the community in the big ensembles. Helen Walker, a younger and more attractive Ellen than most, sings with refreshing directness, her sympathy for Grimes quite in character.

Hugh Hetherington is a not unsympathetic Bob Boles, violent when drunk but well-meaning at heart. Richard Suart, on the contrary, makes Ned Keene rather less likeable than usual, though the excellent Nieces of Margaret Perry and Fiona Dobie find him irresistible.

Festival Hall

Moscow Philharmonic

by DOMINIC GILL

There are those who would argue, and with some justice, that shouting slogans at a visiting symphony orchestra during a concert is impolite. Others might argue, with equal vehemence and perhaps with equal justice, that a time arrives when politeness is beside the point. There were many, at any rate, in the Festival Hall on Monday night who felt unable to sit quietly, listening to the programme played by Moscow Philharmonic Orchestra under their musical director Dmitri Kitaenko, while Anatoly Sharansky, and many hundreds of political prisoners like him, languish in a Soviet jail.

The moral equation, in a by and large hopelessly unfair and immoral world, is not an easy one to solve. But living comfortably with the unsolved equation is a much simpler matter: brutal facts which do not touch us too closely are easy to ignore. It was instructive to witness the fury, which in some cases came to the point of physical violence, of the large majority of the audience, many of whom are presumably supporters of Britain's present policy towards the Soviet Union, and in their private lives ardent theoretical proponents of individual liberty, at having their evening's music so rudely disturbed. In the London concert hall at least, nearly every man is an island, and his symphony his castle.

In such an atmosphere, and against such a background of hubbub, the music and the performances — as the demonstrators must have intended—were virtually impossible to evaluate. Most seriously obscured was the evening's first and rarest work, Rimsky-Korsakov's orchestral suite from his penultimate opera *The Invisible City of Kitezh*, which I know only from records to be a fine and colourful score. Both Chaikovsky's violin concerto and Rakhmaninov's second symphony were disfigured by presumptuous and unnecessary cuts of the kind still apparently common in Russian performance-practice. The playing generally, like the direction, was slick and well-drilled, oddly unengaging. The violin soloist in the concerto, Oleg Krysa, I found dry, mechanical and uninteresting: but in the circumstances he could not conceivably have been giving of his best.

Wigmore Hall

Thérèse Dussaut by DAVID MURRAY

Miss Dussaut is unmistakably a cultivated pianist, but on the evidence of her short recital on Monday—besides Schubert's great B-flat Sonata, only Ravel's *Miroirs* — unpedalled notes barely figure in her performing vocabulary. Both works fairly swam in pedal; for a good part of the repertoire this may be only a matter of taste and fashion, but in these pieces endlessly liquid tone-colour proved a severe constraint.

She built the late Schubert Sonata very deliberately, in careful gradations of tone and at eminently sensible tempi. For the first two movements she chose to suppress the upper register of the piano; one would hardly have guessed that the broad melody of the Molto moderato is in octaves, so much did she emphasise the lower voice, and the Andante sostenuto —which is written out like the Adagio of the Quintet: chorale in middle voices, hushed pizzicato above and below—acquired a sustained bass but virtually lost its treble ticking. Each poignant modulation was heavily stressed. Since the piano-writing of the later movements is irrepressibly bright, it seemed here to belong to a different work—but still bland, still proof against surprises.

Miss Dussaut took a more individual way with Ravel, though still with lashings of pedal (producing perverse harmonic effects in "Une barque sur l'océan"). With a whole range of crisp colour excluded, the *Miroirs* were lit up instead by volatile dynamics and skittish rhythms. Most of the music sounded much louder than marked; the wistful tunes were thumped out like Chaikovsky. A certain practised elegance was a redeeming grace in all this, and the elusive "Noctuelles"—noisy though it was: playing it softly is the real test of the piece — showed not only real imagination but quite uncommon dexterity. The show-off "Alborada del gracioso" was good only in parts, and should not have been placed out of sequence at the end of the suite.

Purcell Room

Coull String Quartet

With various complete (recorded and printed) editions finally available, an exhaustive documentary biography only recently finished and a major anniversary at hand, Haydn can no longer be considered a composer of secondary importance. Except, it would seem, by performers. The polished and deeply uninteresting reading of Haydn's D major Quartet op. 33 no. 6 given by the Coull String Quartet on Monday night at the Purcell Room showed the gap that still exists between enthusiasm and scholarship on one hand and the brass tacks of professional performance on the other.

Indeed, the Coull's performance was highly professional, and this made the experience of listening to it all the more upsetting. In the introspective andante, leader Roger Coull's bowing was a model of legato, his high pedal notes faultlessly sustained with nary a hint of a bump at each bow change. The supporting parts were nicely balanced, well tuned. But this smoothness was over-cultured, we needed to hear some air between phrases, some feeling of propulsion and lift to characterise Haydn's ambitious harmonies. Equally technically impressive was the neat control of articulation in the Minuet, but with each note carefully pressed out and the on-the-string treatment of staccati, the movement's roots in dance couldn't have been less apparent.

An altogether stronger and more characterful performance of Beethoven's F major Quartet, op. 18 no. 1 followed. One especially liked the bucolic ease of the Scherzo and Trio, and wished that some measure of its unbuttoned charm had rubbed off on the Coull's Haydn. The players' willingness to take a risk by suppressing vibrato during some of the most intense passages of the Adagio was also admirable, and their view of this movement was well balanced between repose and unrest.

RICHARD JOSEPH

Ronnie Scott's

Lou Donaldson

On his first-ever visit to Ronnie Scott's (and to Britain) alto-saxophonist Lou Donaldson is felicitously and convincingly evoking the ghost of his avowed inspiration, Charlie Parker. Tonally and stylistically, Donaldson is one of the most faithful of Parker's disciples, even to the extent of drawing heavily on the repertoire associated with the revolutionary musician.

Yet Donaldson, now in his mid-fifties and with an imposing array of Blue Note albums behind him, is not a complete copycat. Like Parker he is fast and fluent but does not have Parker's unique virtuosity or emotional depth. But he confidently dashes off several choruses on such favoured Parkerian themes as "Wee," "Lover Man" and "After you've gone" with deceptively cool facility. As with Parker his playing is steeped deeply in the blues—he even sings a couple of slow ones in an engaging style.

This is no nostalgia trip though. Even if almost all Donaldson's selections are familiar he is amply proving the durability and undeniable timelessness of bebop—the music Charlie Parker helped create.

He is abetted by a stirring trio whose quality is excitingly spearheaded by pianist Herman Foster who was first associated with Donaldson in the 1950s. His fleet, rolling chordal statements, touched with a suggestion of effective but undisturbing dissonance, are an ear-catching feature of every set.

Bassist Geoff Fuller and drummer Victor Jones are from a more recent era but both are firmly imbued with the self-evident enthusiasm of their two seniors, Fuller contributing some delicious arco solos and Jones, last heard at Scott's on the ill-fated Stan Getz visit, a hard-driving, totally sympathetic drummer.

Also in the club until Saturday is singer Marian Montgomery whose smokey, night-club voice is ideal for Scott's but whose deeply considered interpretations of much-heard tunes put her high in the class of jazz-tinged vocalists. Her readings of "You made me love you" and "There'll be some changes made" are particularly striking.

KEVIN HENRIQUES

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Wednesday May 6 1981

In face of suicide

THE DEATH of Mr. Bobby Sands has not altered any of the grim realities which have bedevilled the future of Ulster in the seventy-odd years since Sir Edward Carson first imposed an effective Protestant veto on Liberal plans for home rule; but it has altered the political situation facing the Government, and for the worse. Mr. Sands's election as a Member of Parliament had already demonstrated that the IRA, in desperation, has snatched a kind of victory out of military defeat, and achieved a measure of sympathy which eluded it in a decade of violence. His death has shown that this local sympathy has some international echo.

Inactivity

This means that the Government is under greater political pressure to be seen to be taking some action in Ulster, without any reason to hope that action will be any more effective than in the past. This is an appalling situation, and it is understandable that some Ministers should favour a policy of continued inactivity. This is partly for fear of doing anything that might make matters still worse, and partly in the hope that something will turn up.

Experience, indeed, argues in favour of a policy of least done, soonest mended; it is already possible that the IRA, which has reacted to the sympathy Mr. Sands has evoked by talking of a mass hunger strike, will quickly alienate its new supporters. A renewed wave of violent outrages would more surely restore the status quo, which is why such militant but intelligent republicans as Mrs. Bernadette McAliskey so strongly oppose it.

Political

The arguments for total inactivity, however, are the arguments of pure despair, and we believe that the Government must again attempt, and be seen to attempt, to re-start the political process which remains the only hope for a peaceful solution, even if it is to take another generation to complete.

This does not, of course, mean giving way to the hunger strikers themselves. No responsible government anywhere, least of all the Dublin government, wants to see terrorism legitimised through political status. It would be absurd to allow a largely passive IRA to force on us what the campaign at its height could not achieve —a resort to martial law, and all that it would imply. Here the Government can only remind the world that it is violence which created the conditions which the hunger strikes are protesting against.

Any attempt at forward movement must be concerned with conditions outside prison, not inside. In its dealings with the minority, the Government must be seen to be reasonable as well as firm. This could involve a more active dialogue with the leaders of peaceful Catholic opinion, including the Church leaders whose more outspoken role recently has been the only hopeful feature in an increasingly grim situation. It might also be wise to review the emergency judicial procedures under which IRA prisoners are convicted. The imposition of long sentences by a single judge, acting sometimes on uncorroborated evidence, lends colour to claims for special treatment, and may be unnecessarily drastic in present military circumstances.

Intransigent

However, the main block to progress remains what it has always been—the intransigent opposition of the Protestant majority to any change acceptable to the minority. The Protestant community must be reminded firmly and openly that if they regard UK citizenship as a privilege, they must also respect the responsibilities of citizens, and show some regard for the Government and Parliament in whose hands they have chosen to entrust their future. There is little hope of the comunity turning to more responsible leaders as long as irresponsibility is seen to carry all before it.

A small U.S. step on arms talks

THE DECISION by the U.S. administration to re-open negotiations with the Soviet Union on theatre nuclear weapons in Europe before the end of this year is a welcome step forward, and it has been warmly endorsed by America's European allies at this week's meeting of Nato foreign ministers. But on this as on a number of other important issues the Americans are being worryingly and unnecessarily slow in getting their foreign policy act together.

Parallel

It is extremely difficult to understand why the U.S. has to wait until September before Mr. Alexander Haig, the Secretary of State, has his first meeting on theatre nuclear weapons (TNF) with his Soviet counterpart. In December 1979 the alliance agreed to a programme for modernising its nuclear weapons arsenal in Europe, as an offset to the steady build-up of Soviet TNF, but only on condition that there would be a parallel attempt to secure a negotiated limitation of TNF on both sides. Since then, Belgium and Holland have become much cooler towards the whole plan, to the point where it is rather unlikely that either of them will agree to the stationing of modernised theatre weapons on their territory, and there is a move afoot inside West Germany's ruling SPD party to have the plan reviewed.

It is too easy to deduce from the speed at which the new SS-20 missiles are being deployed that Moscow is not eager to negotiate a limitation agreement. But if the Americans are felt to be dragging their feet as well, they may jeopardise that western modernisation programme which might have a chance of bringing the Russians to the negotiating table.

It may be argued that the delay in resuming TNF talks with the Soviet Union — an abortive exploratory meeting was held at the end of last year —is intended as a way of keeping a sanction in reserve in case the Soviet Union should decide to intervene in Poland. By the middle of July the Poles are due to hold a party congress which looks likely to extend principles of liberalism and democracy to the party machine itself, and which could thus represent a serious challenge to the Soviet model. But the argument is scarcely plausible, partly because of the evident lack of Soviet enthusiasm for a TNF negotiation, partly because any such negotiation could be interrupted at any moment if the Russians were to invade Poland.

In principle, the Washington-Moscow negotiations on TNF will take place, according to the NATO communique, "within the Strategic Arms Limitation Talks (SALT) framework." This is an extremely important qualification, which also provides the clue to the deadlock on both halves of the nuclear equation, theatre and strategic.

Soviet reluctance to negotiate on TNF is partly attributable to the obvious divisions between the U.S. and its European allies, which may stop the modernisation programme in its tracks. But it is partly attributable to the fact that the second SALT treaty, negotiated by Carter and then pigeon-holed after the invasion of Afghanistan, has now been discarded by Reagan.

Unavoidable

It may be possible to run theatre and strategic negotiations in parallel; it is scarcely possible to separate them entirely. To Nato, deterrence is a seamless web, from battlefield to strategic weapons; to the Russians, Nato's theatre nuclear weapons may be strategic, in the sense that they might be able to strike the Soviet Union. In other words, the Nato phrase about "the Salt framework" is not just a pious sentiment, it is a reference to an unavoidable fact. Even if all the European allies were wholeheartedly behind the 1979 TNF modernisation programme, there would be little chance of a successful negotiation unless there were also serious prospects of a negotiation, or renegotiation, in the Salt framework. Unfortunately, there is as yet no sign from the Reagan administration that it is near reaching any decision about what to do next on the Salt front.

For the time being, however, Washington appears so obsessed with rearmament that arms control gets a low priority. Europeans may be wrong to hope that the new TNF commitment will concentrate American minds on Salt: the Americans would be almost certainly wrong to nourish any secret hope that a failure of TNF negotiations would stiffen European support for TNF modernisation.

THE DEATH OF BOBBY SANDS

Pictures of Sands and other hunger strikers stare out from windows. Occasionally, curtains move as the occupants furtively size up strangers . . .

Stewart Dalby reports on the Catholic mood in Belfast

"We have contingency plans to evacuate children, of course. But we have not announced them yet. We do not want to panic the people unnecessarily."

IN a club in the Short Strand, a small Roman Catholic enclave in Belfast, a young Provisional IRA member is trying to pour cold water on the suggestion—by Mr. Humphrey Atkins, the Ulster Secretary, among others—that the Provos are provocatively stoking up tension, at least in Short Strand. But his tone remains grim.

"People here are not stockpiling food. You see, we feel confident we can successfully defend this area. Being so small and vulnerable, we have to be especially vigilant. Of course, it's different in the Falls and Ardoyne. They are much bigger and they have to make plans for the women and children and for food supplies."

There are now 3,500 people living in Short Strand—compared with over 8,500 in 1969 when the troubles began—forming a very tight community. Every stranger in the area is immediately spotted and the bush telegraph immediately lets the ProvisionalIRA know.

There are worries about members of the Special Air Services coming into the area. And there seem genuine fears that if the death of Bobby Sands leads to street violence, there could be a Protestant backlash.

One incident demonstrates just how on edge the community is. In the Short Strand's only remaining pub, three minutes after I entered I was surrounded by half a dozen youths in leather jackets, jeans and big boots who angrily demanded: "Where's your identification? Who the hell are you and who sent you?" My two colleagues and I handed over our press cards and were told to stay where we were. A couple of minutes later, after we had been "checked out," the leader re-entered the pub.

He said: "Sorry to inconvenience you gentlemen, but you shouldn't come down here without arranging it first."

On a fine day and with little traffic, Short Strand is just five minutes' drive from the much-bombed Europa Hotel in the centre of Belfast. You drive past the Victorian Gothic town hall — a monument to the bustling industrial centre Belfast was at the turn of the century—past the steel grilles which ring the central shopping centre with their barbed wire tops and their bevies of police and soldiers armed to the teeth and muttering into walkie-talkies, and over the Albert Bridge with the railway beneath and the silhouettes of the shipyard cranes off to the left and then branch off into the Short Strand.

In the space of two streets, the world changes.

Short Strand is almost exclusively Catholic and surrounded on three sides by Protestant areas. On the fourth is the River Lagan. The houses are terraces of two-ups and two-downs, so characteristic of the great fields of drab houses built in most British industrial towns late last century and early in this.

In all, there are about 15 streets, with gaps in the landscape for the bombsites: areas strewn with rubble where houses have been bombed or burnt out. Many houses have their windows bricked up with breeze blocks.

Pictures of Bobby Sands and the other hunger strikers stare out at you from ground-floor windows. Occasionally the curtains behind the pictures move as the occupants furtively size up the strangers in the area.

A guided tour of Short Strand takes in a bricked-up house with a few eye-shape slits in the bricks where, it was said, a four-man SAS squad was discovered. "The wee lad who lives two doors down found them," says the guide. "He was looking for a pigeon; he keeps pigeons. We were worried, though, because Republicans had been assassinated."

At the edge of the area, where it joins the Protestant parts, the casual visitor sees no difference between one street and another. But the guide said: "You see that pub over there? It's a Prod one. You notice it has not got wire fences round it like our pubs."

The very look of the Short Strand is testimony to the violent events of the past 10 years. When the troubles began, it was the Government's policy to try to relocate people living in the area. Many did not want to go. Others moved out, either because they were frightened or because their homes were burnt down.

There were angry mobs of Protestants and sectarian killings on both sides.

Now, for most of the people who remain, there is no work. It is hardly surprising that the Provisional IRA is very strong in the area. As one Republican said: "We don't know anything else — apart from unemployment and the dole."

The inhabitants feel surrounded and say they must be vigilant in case of trouble. But, as for leaving the area, one young woman with a baby in her arms and another two in a pram said: "If there's going to be trouble, God forbid, the children will stay with their parents in their homes where they belong. My mother was born here and I was born here and my children were born here. So here we'll stay."

Short Strand differs from other Catholic areas in its isolation as a little pocket in a Protestant area.

But in the main Catholic area stretching up Falls Road into Anderstown, there are similar fears about the possibilities of a Protestant back-lash.

Whereas the Provisional IRA in Short Strand may feel that, because the area is so small, any outsiders, will be noticed, this is not necessarily the case in other Catholic areas.

There has been stockpiling of food, particularly in Anderstown. But it would be a mistake to think in terms of the main Catholic areas as being under a state of seige. I walked freely around Falls Road in Anderstown and did not see a single barricade. I was unable to obtain any of the leaflets said to have been put through people's doors to alert them to quit their homes.

AS NORTHERN Ireland braced itself for the possibility of violent local reaction to the death of hunger striker Bobby Sands, politicians at Westminster were rapidly trying to assess the impact on British politics nationally.

The consensus among both Conservative and Labour MPs was that Mrs. Thatcher's determined stand against giving concessions to IRA prisoners would do her no harm politically in domestic terms, but that the propaganda impact of Sands' death could be diplomatically harmful, particularly to Britain's relations with the U.S. and the Irish Republic.

Rarely has there been such unity on any subject between the Prime Minister and Mr. Michael Foot, Leader of the Opposition, as on the necessity of not conceding political status to IRA prisoners in the Maze. Only a handful of Labour MPs—and no Conservatives—have regarded Mrs. Thatcher's stance as intransigent, short-sighted or unduly harsh.

But Ministers are worried at the effect on the Prime Minister's links with Mr. Charles Haughey, the Irish Premier, after the December bilateral meeting when joint working parties were set up. At worst, this relationship could be damaged permanently; at best, it will probably have to be put on ice.

After the failure last year of Mr. Humphrey Atkins's attempt to find common ground among Ulster politicians that would lead to some form of devolved government, the link with Dublin was seen as the main hope for a potential breakthrough in the Irish question.

But with a general election in the offing, Mr. Haughey will be reluctant to build on the special relationship with Mrs. Thatcher.

There is now a feeling of returning to square one yet again, with the prospect of political progress in Ulster as far away as ever. The Government's priorities will be the continued containment of violence in the hope that talks can eventually be re-opened among politicians in the province, and the maintenance of diplomatic ties with Dublin, however passive.

Richard Evans

'The truth is, we are scared. That's the height of it'

Walter Ellis reports from the heartland of Loyalist resistance

FATALISM, rather than fever, has gripped Loyalist areas of Belfast as Protestants assess the likely impact of the death of Bobby Sands. There is an intense awareness of the potential for widespread violence, but at the same time an almost stoical aceptance of the need for calm amid chaos.

For the moment, Loyalists in the troubled west of the city are prepared to let the Army and the police bear the brunt of any trouble. The Ulster Defence Association, the largest of the Protestant para-military groups, and the Rev. Ian Paisley, MP, have sensed this mood and are echoing its restraint in heavily publicised statements.

On street corners and in pubs, groups of heavily-built youths make clear, however, that "if the Catholics want trouble, they can have it." They are holding their fire, but after 12 years of Republican insurrection, they take easily to violence. Everyone knows this. It adds to the sense of community strength: it also adds to fear.

"The truth is, we are scared That's the height of it," remarked one shopkeeper from behind the counter of his tiny corner store off the Shankill Road. "I mean, it didn't matter to to us whether Sands lived. The only ones worried about that are the Provos and the Catholics. But the IRA said it would go on the offensive when he died, and that's what we're afraid of. If the Provos start something, the security forces should be able to handle it. But if they can't, the UDA will have to go into action, and then the war will be on."

William Brown's corner shop is the sort of store where people come in for single tomatoes and broken biscuits. Yesterday, he ran out of sugar, and he had to send home for more "silver" when he ran out of change. Many of the houses in the streets surrounding his 12 ft square premises are bricked up.

Women still wash the big front doorsteps, in defiance of the reality around them and in unconscious memory of better times. It is important in Loyalist areas to keep everything "Protestant-looking."

The Shankhill Road is, of course, the heartland and symbol of Loyalist resistance. It was always poor, but now 12 years of violence and unemployment have robbed it of its dignity. There is little humour left; those who were once Ulster's working-class aristocrats are now hardened to disappointment and inured to destruction. There are those who claim that the spirit of the place cannot be snuffed out so long as the people and the road remain.

Mr. Brown says that in the last week the talk in his shop has been of little else but Bobby Sands—for whom, incidentally, few seem to harbour any real hatred. They see him as a tool of the IRA and are merely worried about the forces his death might unleash. What did he think the Catholic people of the neighbouring Falls Road felt? "The same as ourselves. They'll be scared. They're preparing their defences and we're preparing ours. But they don't want trouble, any more than we do."

The UDA, led by the relaxed, chunky figure of Andy Tyrie, is the organisation behind the Loyalists' defences. At the head of an army of some 10,000 men, everyone by definition a militant, Tyrie denies being provocative. "I'm not out to provoke anyone. We're in the business of defence, and ordinary, decent Catholics have nothing to fear from us."

The next few days could test that claim. In the meantime, Tyrie and his men, together with four other para-military groups inside the so-called Ulster Army Council, are making sure that their powder is dry. They, too, want to see the trouble kept within Catholic areas and contained by the security forces, but they are ready for the worst, should it happen.

At the top end of the Shankill, in the Highfield Estate, a young housewife spoke of her thoughts on the hunger strike. "Last week it seemed as if trouble was inevitable, though this week it's not so tense. But Sands' death doesn't change anything round here."

The estate is exceeded in ugliness and evidence of deprivation only by the neighbouring Catholic Ballymurphy Estate. Both contain embattled and embittered people, under daily assault from their own sense of history and from the almost total collapse of the surrounding economy.

People in the Shankill Road, Highfield and similar Protestant ghettoes are both the cause and the victims of the last 12 years of trouble in Northern Ireland. They are frightened and yet still, somehow, resilient.

MEN AND MATTERS

A Spaniard in the works

A little ironic that while a constant stream of British delegations visits Mondragon to see if such an industrial venture would work here, the Spanish co-operative has quietly established its operations in Warrington.

Danobat, Spain's largest machine-tool maker and part of Mondragon's 154-company complex, has set up a marketing base to sell more of its computer-controlled machines in this country. Some 15 per cent of its annual production is already sold to British industry.

The new centre will be run by the co-operative's only British member, Philip Wilkinson, a Lancastrian who went out to Mondragon five years ago and became Danobat's export manager.

"I had been selling their machines for a distributor here," he tells me," and got such a tremendous admiration for the venture that I decided to go out and point it."

Wilkinson, who has been deeply involved in the development of Danobat's computer-controlled machines, says the plans are to turn the Warrington base into the company's key European marketing centre with a school for training machine programmers, operators and maintenance personnel for customers on the continent as well as in Britain.

Aimed forces

Tinkers should again be given the sort of priority they once rhymingly enjoyed over tailors, soldiers and sailors, says the International Labour Organisation.

After a painstaking study of what it calls "the urban informal sector in developing countries," the ILO is urging governments and banks to give more financial support to tinkers and other street vendors.

Millions of people hawk goods and services around the major cities of the Third World, says the ILO. Their number is growing and so is the contribution they make to the impoverished economies. They generate between a quarter and a third of the cities' total income and their role as a "safety-valve" for unemployment should be more generously recognised and supported.

Business Lever

With an all-too-rare political generosity, Sir Geoffrey Howe last night publicly recognised the important pioneer work of Labour's Lord (Harold) Lever in changing attitudes in Westminster and Whitehall towards small businesses.

Lever, a guest at the Downing Street reception to launch the Government's business opportunities programme, was appointed by James Callaghan in 1977 to investigate the problems facing small companies. Callaghan's acute political antennae had picked up a change in the wind—and Lever's enthusiasm and energy transformed the climate.

By projecting the encouragement of entrepreneurs as a means not only of easing unemployment but of tackling the decay of inner cities, Lever secured the full support of his own party. He listened willingly to the ideas of the other parties and of business itself. And his status in the Labour Cabinet enabled him to prompt new measures.

The result has been a quite remarkable turnaround from the prevailing big business atmosphere of the 1960s. Sir Geoffrey and the Tory Government intend to speed the process in their year-long campaign. Practising what he preaches, the Chancellor launched the £500,000 publicity project by distributing the contracts for printing the Government's information leaflets round four small companies.

Dying breed

Fewer Norwegians will be turning out for a British Royal visit in 2081 than were on hand to greet the Queen yesterday I can tell you. For the Norwegians are dying out.

Unless something is done to accelerate the Nordic sex drive, Oslo's statisticians predict that there will be 1m less by the year 2050.

"The authorities are seriously concerned about the problems . . ." says the Government information service. As well they might be. In spite of the machismo Viking tradition and such natural inducements as long, cold winter nights, only 51,000 babies were born last year.

This is the lowest fertility rate ever recorded, I am told. "And measures are being considered to effect a reversal of the trend,

They might try turning off the central heating for a start.

Troubled sleep

A fractious mood continues to pervade the External Members' Association started at Lloyd's by Lady Janet Middleton, despite the recent crushing of one policy rebellion. Last Friday, I learn, brought the resignation of David Cronin, secretary to the Association's committee. Words are being carefully chosen. "My views and the views of the committee were not sufficiently in accord," he volunteered yesterday.

Cronin will not, however, be defecting to a rival association which is now being planned by other Lloyd's members. Among the putative new venture's attractions, as might be expected given the marketplace instincts of the Lime Street denizens, will be a subscription lower than the £50 levied by the Middleton caucus.

Life and sole

Habitués of City seafood restaurant Sweetings were treated to extraordinary scenes over lunch yesterday, as the braying of wine-quaffing stockbrokers gave way to a full-throated communal sing-song.

The master of this impromptu ceremony was a man of undoubted financial acumen, but one not as yet familiar in City circles—Larry Hagman, the "JR" of television serial "Dallas." The amiable Hagman —perhaps, who knows, scheming to raise extra capital for Ewing in London's flourishing secondary oils market—found himself the target of autograph hounds when he stopped off for lunch in Queen Victoria Street.

The autographs, accompanied by fake dollar bills emblazoned with Hagman's face and the legend "In Hagman We Trust" were readily given. But only to those prepared to stand on a chair and burst into a capella song. And with no shortage of takers, the Edwardian eaves were soon echoing to the cries of a robust and ruddy choir.

Observer

Professor Martin Feldstein finds that the U.S. inflation rate may be reduced, but that rapid growth is unlikely

The change in Reagan's economic thinking

IN THE past year there has been a *remarkable* change in the economic policies advocated by *President Reagan*. A year ago, Mr. Reagan's campaign rhetoric was still full of wishful thinking about major tax cuts without any reduction in Government spending. Despite all of this early supply side hyperbole, the President's actual programme represents a *total repudiation* of the naive theory that tax cuts are self-financing.

In its place, the Administration has coupled a moderate tax cut with wide-ranging and generally well chosen cuts in Government spending. Although Congress is likely to reject the Administration's request for a commitment to specific tax cuts over the next four years *and to* change some details of the Administration's programme *for* 1981 and 1982, the broad outline *of the final package of fiscal* and monetary policies for the *next two years is likely to* remain quite close to the Administration's proposal.

The Administration is of *course quite optimistic* about the favourable effects of its *programme. Its forecast calls for* a rise in the growth rate of real *GNP to* 4.2 *per cent in 1982* (up from zero last year and less than 2 per cent in 1981) and a fall in the inflation rate as measured by the GNP deflator from 9 per cent in 1980 to 8.3 per cent in 1982. By 1984, the real growth rate is projected to increase to 4.5 per cent and the inflation rate to decline to 6.0 per cent. I believe that this forecast, especially the anticipated rapid growth of real GNP, is probably too optimistic.

But if the Administration is overly sanguine in its forecast, the critics who charge that the Administration's tax cuts are dangerously inflationary are *likely to be even more* inaccurate. In my judgment, *the Administration* has proposed a deflationary package that would slow the growth of demand. The resulting increase in unemployment and the additional slack in the economy would help to reduce inflation but would not produce the rapid growth that the Administration forecasts.

Spending reduction

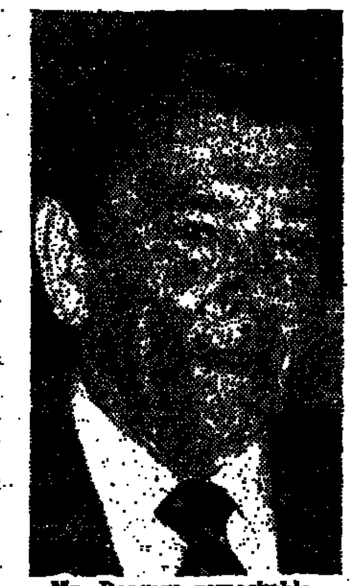
The principal cause of this deflationary pressure is the major reduction in Government spending. For the fiscal year ending in October 1982, the Administration has proposed cutting some $50bn *in* outlays from President Carter's proposed 1982 budget *of $740bn*. If these cuts are accepted, Federal *Government spending* will increase only 6 per cent between 1981 *and* 1982, *or, after adjusting* for the general rise in prices, will *actually fall* about 4 per cent.

In addition to direct spending reductions, the Administration *also* proposes to cut *loans* and loan guarantees by $20bn in *fiscal year 1982*. While some of these loans might come to the market even *without* Federal assistance, the higher cost of funds would no *doubt* discourage a substantial portion of this debt-financed demand.

The Reagan programme calls for a substantial $26bn increase in defence spending between 1981 and 1982 on top of the $24bn rise between 1980 and 1981. The $189bn proposed defence outlays for 1982 represent a 15 per cent real increase in two years. Although opponents of increased military spending charge that the expanded defence budget would fuel inflation, the basic fact remains that real Government outlays would fall 4 per cent between 1981 and 1982 despite *the increased defence spending*. Moreover, the Reagan budget *requests only $4bn more* in defence outlays in 1982 than the final Carter budget for 1982.

In comparison to the major spending cuts, tax cuts proposed for 1981 and 1982 are negligible. The 15 per cent reduction in personal tax rates planned for 1981 and 1982 will essentially just offset the increase in real taxes *that would otherwise* occur as inflation pushed taxpayers *into higher* brackets.

The continual public debate between the Administration's supporters who emphasise the potential favourable effects of a tax cut on supply incentives and the Keynesian critics who *argue that the tax cut would* only serve to stimulate *inflationary demand* makes it *easy* to lose sight of the basic fact *that there is* no real tax cut in the Administration's proposals for 1981 and 1982.


Mr. Reagan: remarkable change

It is easy to see why this is so. Because tax rates increase sharply with income, each 1 per cent of additional personal income raises the Government's income tax receipts by about 1.6 per cent. Thus, the increase in personal income of at least 22 per cent that will occur between 1980 and 1982 would raise tax receipts by 35 per cent if tax rates were unchanged. The proposed 15 per cent reduction in rates would still leave a 20 per cent increase in tax revenue, enough to offset the two-year rise in prices and leave a net increase in real personal income *tax payments*.

The Administration *emphasises* that its *tax package* will cut *marginal* tax rates and will therefore provide stronger incentives for work effort, saving, and portfolio investment. In fact, without the tax cuts inflation would cause the marginal tax rates of some individuals to increase by more than 15 per cent while the marginal tax rates of others would increase by less.

A 15 per cent cut in tax rates *would therefore still leave* some individuals with higher marginal rates in 1982 *than in 1980*. For most there would be very *little net change. Nevertheless*, the 15 per cent reduction would *bring the top rate down from* 70 per cent to 60 per cent and, *more generally, would reduce* marginal tax rates for high *income individuals*.

Any positive "supply side" effect of these marginal rate reductions would further reduce the pressure of demand.

It is important to remember also that any given tax reduction does not result in an equal increase in consumer spending but adds to personal saving as well. Half of a proportional across-the-board tax cut goes to taxpayers with incomes over $30,000 and 30 per cent of the tax cut goes to taxpayers with incomes over $50,000. Families with these relatively high incomes do not spend all of their after-tax income every *year. Their spending responds* only slowly to changes in their *income, with savings absorbing* the difference.

> ***Despite early supply side hyperbole, the President's actual programme represents a total repudiation of the naive theory that tax cuts are self-financing. In its place, the Administration has coupled a moderate tax cut with wide-ranging and generally well chosen cuts in Government spending.***

This slow response is particularly true when the increase in spendable income reflects a tax reduction that may only be temporary. Even though the Administration's plan calls for a "permanent" reduction in tax rates, inflation would soon push most taxpayers back up to their previous tax rates. The likely response among middle and upper income groups to such a temporary and uncertain tax cut would be a small increase in *spending and a relatively* large increase in saving.

Changing depreciation

In addition to the personal tax cuts, the Administration has proposed a major acceleration of business depreciation modelled along the lines of the "10-5-3" depreciation Bill that had *previously attracted very broad* Congressional support. A *substantial depreciation reform of* this type is needed to offset the dramatic increase in effective tax rates on investments that has occurred in the past decade as inflation has eroded the value of historic cost depreciation.

For equipment investment, the *Administration's proposal* would approximately offset the *effect of inflation that a rate of* about 8 per cent a year, falling short at today's higher rates. For investment in structures, the impact of the proposed change would be much smaller. The Administration's Bill may not be the best one that could be devised by man, but it is a good Bill that would provide a valuable long run stimulus to *business investment*.

Although the resulting increase in *the capital stock* could make a significant contribution to raising output and productivity during the coming decade, supply side effects in the short run are bound to be small. Indeed, there is always the danger that the immediate impact of favourable change in depreciation rules would be to stimulate demand for plant and equipment and thereby increase inflationary pressure.

It is fortunate, therefore, that the Administration plans to phase in the shorter depreciation lives over a period of five years, thereby avoiding a sudden increase in the incentive to investment. Moreover, some companies will discover that it pays to postpone some investments until the change in depreciation lives is completed. As a result, total investment should expand only gradually over the next few years with little or no inflationary pressure on the capital goods industry.

When the pieces are put together, the picture that emerges *is of a rather deflationary budget* for 1982. Real government *spending falls 4 per cent below* the 1981 level, a decline of $25bn. *The* 15 per cent cut in personal tax rates still leaves a *small increase in the real tax* burden on individuals. And the business tax cut is phased in over five years in a way that weakens the investment incentives in early years.

Yet, despite all of these deflationary aspects, critics have *claimed that the budget* is inflationary because a 1982 *deficit of some $50bn would* remain. Of course, totally eliminating such a deficit through higher taxes or a greater cut in spending would make the budget even more deflationary. But the result could be an undesirably sharp rise in unemployment and drop in output.

While it may in fact be better to reduce taxes or spending by $10m more or less than the Administration has proposed, there is no way to know. Even the most ardent advocate of fine tuning cannot pretend to such precision in the $3 trillion economy.

Tight money

The deflationary effect of the budget would be reinforced by the very tight monetary policy that the Federal Reserve is now pursuing. Last year, the Fed's target for M1B growth called for a maximum increase of 6.5 per cent between the fourth quarter of 1980 and the fourth quarter of 1981. Despite the turbulent changes that resulted from the credit controls imposed by the White House in the early spring, the actual M1B growth was less than 7 per cent, down sharply from the average growth of nearly 9 per cent during the previous three years. This year's maximum M1B growth rate is 6 per cent.

Past experience with the rela*tions between the money stock* and GNP suggests that such a slow growth of M1B is likely to be inconsistent with a 1982 nominal GNP growth in excess of 10 per cent, especially if interest rates are not substantially higher. *This in turn* means that 1982 is likely to be a year of significantly lower inflation, slow real growth, or, what is most likely, both slow growth and a decline in the rate of inflation. Indeed, even *if the* inflation rate were to fall to 8 per cent, it would be *surprising if real growth* was to reach 3 per cent.

Although this picture of the economy over the next two years is not nearly as favourable as the one painted by the Administration, it is still the basis for considerable optimism. These two years would mark an end to the continuing growth of government spending and an *actual decline in the share of* the government in the national *economy*. A rise in personal tax rates would be averted in *the very highest tax rates* because so much distortion and *waste would be permanently* reduced. A major programme *of depreciation reform* would begin to provide the incentive *for a significant increase in the* rate of business investment.

Finally, the declining rate of inflation that results from continuing *economic slack would* be good news in itself and, even *more important, should begin* to change the expectations that *have made the increasing rate* of inflation so difficult and costly to reverse. By 1983, two years of actual decline in inflation and of a consistent Federal Reserve performance of keeping money growth within the target range could provide the prerequisite for a rapid reduction in inflation without excessive slack in the economy.

If all of this comes to pass, the Administration's programme will clearly have been the right one, even if not for the reasons that they assert.

Professor Feldstein is Professor of Economics at Harvard University and president of the U.S. National Bureau of Economic Research.

Letters to the Editor

Start-up schemes

From the Director General, Institute of Directors

Sir,—Mr. Simon Greenly (April 29) is entirely right to draw attention to the unsatisfactory restriction of the terms of the Chancellor's new business start-up tax relief effectively to investment in manufacturing companies.

It is disappointing that the Treasury does not yet appear to have learned the lesson that the long term trend to a higher proportion of national output stemming from the service sector is unlikely to be reversed, and that this is, if anything, a wholly welcome development.

Mr. John Whiteman's impressive recent paper for NEDO clearly illustrated this trend, and the fact that the pattern of service sector activity itself is changing towards a more technological base. This in turn reinforces the already obvious conclusion that service sector growth will be a significant factor in the start up of new small businesses.

Civil servants may be wedded to the view that it is in manufacturing industry alone that national wealth is created. But this is demonstrably no longer the case, if it was ever so; nor is it realistic to expect that economic upturn will bring any large scale soaking-up of current unemployment in the old manufacturing industries. Unless productivity gains are illusory the surplus capacity will simply not be present.

It is the American experience that of all new business start-ups a remarkably high proportion are small scale service industries. It would be foolish indeed for a British Government attempting to emulate their experience to ignore the lessons. Rather should it take immediate action to remove disincentives to those wishing to enter the service sector: not just in the business start-up scheme, but, for example, among tax allowances for capital expenditure on buildings and equipment.

Only when service industries are recognised to have the same potential for wealth creation as other sectors and perhaps greater potential for creating jobs will Government initiatives to encourage small business achieve any overall coherence.

Walter Goldsmith,
Institute of Directors.
116 Pall Mall, SW1.

Where the cuts should come

From Mr. D. Wilkins

Sir,—The reduction of excise duty on derv from 20p to 10p per gallon is welcome albeit it is to be extracted from industry until August. But one would have thought that the arguments against the tax would have been self-evident before it was imposed in the Budget. Business was and is suffering enough and cannot afford to contribute more and more from a smaller base to maintain our enormous bureaucracy.

Now the Chancellor tells us he has to make up the lost £85m from another source. Industry can't increase its revenue by the stroke of a pen. To survive it has to cut its overhead. Surely the best way for Sir Geoffrey to get his £85m is to cut his, and to reduce the number of people the Government employs. About 10,000 heads should do the trick. Leslie Chapman would be pleased to advise where this saving could be simply achieved. Why not give him a chance to prove his theories?

D. C. Wilkins.
42, St. Winifreds Road, Littlehampton, Sussex.

It is necessary to vote

From Mr. A. Fleming.

Sir,—In local elections usually only about 20 per cent-30 per cent of voters turn out. And the winner's percentage of the electorate is normally about 10 per cent.

As an outsider I do not know who is standing in the forthcoming local government elections in your area or what political parties, if any, are involved. My concern is to try to persuade electors to vote.

For this reason. If the polls continue to decline one of two things is likely to happen. Either they will reach the stage when self-selection (with the help of a few friends) takes place or the Government will impose a winning minimum. Parliament did this in 1978—in what an ex-Chancellor of the Exchequer has described as a "dirty trick"—and a win was cancelled because it did not receive the support of 40 per cent of the electorate.

Either of these events could be used to retain power and defeat democracy.

Of the 152 countries in the UN it is reckoned that only 38 are *democracies. Democracy is* therefore a minority view. It is also a *tender plant* which depends for its survival on constant attention. Not voting means lessening the chances of its survival.

Alex Fleming,
"Glennifer," 24 Main Street, Perth.

One borough's spending

From Mr. D. Franklin

Sir,—Mr. Bridge (April 28) doubts my allegation that businesses pay 60 per cent of Lambeth rates. Sadly this is the truth and neither Mr. Bridge nor anyone outside the borough would believe what is actually happening to ratepayers' money.

Rates have doubled in Lambeth in two years as a result of a deliberate *growth in spending*. This 67 per cent overspend however is not due to spending on essential services which have not risen, but to staff increases of 17 per cent (1,100 additional administrative jobs) and housing increases of £40m.

Long-term empty properties are the highest in London and the 3,500 empty properties are costing interest payment but providing neither accommodation nor income. Repairs to housing cost £10.6m compared with a net rent of £8.9m, and current rent arrears are £3.2m or 40 per cent of annual rents due. The cost per bedspace is £15,000, which is twice as high as in the private sector.

Lambeth spent 34 per cent more on "democratic representation and communication" than on keeping the streets clean. The grant of £62,000 to the *Union Place Community* Centre, which was cited in the Commons, is being used by groups who were responsible for some of the agitation in the Brixton riots. The borough transferred its bank account from Barclays Bank for political reasons costing the ratepayers a further £33,000, but the worst example of the inability to distinguish essential priorities of expenditure is the Brixton recreation centre. Latest estimates show a delay in completion of five years and the estimated cost has been revised from £9.3m to £17.8m, an increase of 91 per cent.

As the police are greatly overstretched in their efforts to keep down the rising crime rate, businesses have to pay additional premiums and alarm protection than the ordinary ratepayer, although they pay higher rates. Rates for education, the police, and fire service are collected by the borough but paid directly to Greater London Council and Metropolitan Police who spend the monies for the greater metropolitan area as a whole.

The standard of school-leavers recruited by businesses is, as Mr. Bridge puts it, "at least a *modicum of education*." This is not surprising when the 1,400 *members of the Lambeth branch* of the Inner London Teachers' Association recently passed resolutions supporting hunger strikers at the H Block and deciding to reaffiliate to the "Troops out" movement.

Regrettably, Mr. Bridge does not tell us how companies are to survive rate increases of 143.31 per cent or why they should fund 60 per cent of expenditure having no control how their money should be spent.

D. G. Franklin.
121, Kennington Road, SE1.

Import controls are a chimera

From Mr. P. O'Brien

Sir,—Mr. Wynne Godley (April 27) has been advocating import restrictions for so long that I feel it is time he was invited to explain exactly what imports he means. We cannot restrict them from the Common Market and it would be immoral to increase restrictions on the under-developed, besides which the industrial future lies in co-operating with the cheap labour of South-East Asia.

We would be *foolish to disturb* trade where it is in balance or in our favour, which only leaves Japan and Russia (with whom we have a trade deficit) we could tackle without complications.

Stopping car imports from Japan will hardly make much difference as it will only put some on full time instead of part-time. Cameras and hi-fi are just the sort of thing we cannot do and we are too late on existing technology. Tinned crab? Furs? I see nothing to revive *British manufacturing* industry and await Mr. Godley's list (not *generalities*).

The truth is that many of our citizens are neither trained nor motivated to compete in world markets, that we cannot exist without massive imports and therefore must compete. We have large numbers in public service who create the wrong atmosphere by being over-paid. We cannot compete in the world at their rates of pay and level of productivity. In the end this *country will have to reduce the* size of its population to the level it can feed and its industries to match the imports of raw materials it can buy with its exports.

Import controls are a chimera, an attempt to sustain wage levels at uneconomic heights not justified by productivity, just as constant wage increases followed by devaluations are. I hope Mr. Godley's reply does not put him in the same category as those union leaders who daily demand more wages and a lower pound.

Patrick O'Brien.
51, Harpesford Avenue, Virginia Water, Surrey.

Protecting software

From Mr. E. Parker

Sir,—We fear that the UK software industry may be jeopardising its future by failing to patent innovative software developments.

It would appear that software *designers are being deterred* from securing patent protection by over-generalised and mostly incorrect statements that such protection is not available.

That computer programs are not patentable is a view, held by many software and patent professionals, which is too bald a statement in the circumstances. A software program imposes its own individual hardware architecture on a computer, *and if this architecture* is novel and ingenious then *it may be patentable*, and it does not follow that a third party selling a floppy disc or other media to impose that novel structure on a mini or microcomputer would necessarily escape infringement (of the patent).

Many important software innovations have already lost the opportunity for patent protection. Let us hope we are not going to witness a repeat of the penicillin story, this time by ignorance of the law.

E. T. Parker,
New Product Management.
63 Lincoln's Inn Fields, WC2.

Trade unions in the USSR

From Lord Plant

Sir,—I was sorry to see that when reviewing (April 24) the Economist Intelligence Unit's study on the "political currents in the international trade union movement", Brian Groom wrote that "in a further blow to its credibility, the International Labour Office had to give up *investigating charges that the* USSR contravened the freedom *of association convention*" by suppressing trade union rights. *This is not a fair description* of the position. I write as a *former member of the governing* body of the ILO representing the British TUC.

Completion of the ILO governing body freedom of association committee's examination of one specific complaint, accompanied by a call to the Government of the Soviet Union to amend its legislation to recognise the right of freedom of association, is by no means a washing of hands of this issue.

The governing body did not mince words in saying that it "keenly regrets" that the USSR Government had failed to reply to all points raised in the allegations. It has also said that *freeing a trade unionist on* condition that he leaves the *country, cannot be considered* compatible with the exercise of trade union rights. Let me quote another part of the conclusions endorsed by the ILO's governing body "As regards the alleged repressive measures against the founders or members of the SMOT, the *committee notes* that there are contradictions between the *statements of the complaints* and those of the Government, particularly regarding the reasons for them. According to the complainants anyone who wishes to found an independent trade union in the USSR is imprisoned, exiled or committed to a psychiatric hospital. For the Government, however, the measures taken against the *persons mentioned* by the complainants were taken in respect *of acts punishable by normal* penal law.

"In this respect the committee observes that the Government has furnished general information on the alleged charges against the founders of SMOT, but, as in the case of the first organisation which was founded, the "Workers' Free Trade Union Association," only in *some cases does it supply details* on the precise facts which led to the prison sentences or the assignments to residence. The committee keenly regrets that the Government has not sent the texts of the judgments handed down in the case of certain SMOT leaders which the committee has requested during the previous examination of the case.

"The Committee also regrets *that a suggestion made by the* assistant director-general and *adviser for international labour* standards during his mission in the USSR that he should meet certain of the persons who had been arrested was not acted upon. The committee recalls that in other countries the representatives of the director-general have been able to meet detained persons whose arrest has been the subject of complaints during missions on the spot". Could any criticism be clearer or firmer?

This is not the end of the road moreover. The ILO has other channels for supervising the application of its conventions in all member countries, including of course the USSR. There is the high level panel of independent experts whose *forthcoming report—due in a* fortnight or so—is unlikely to overlook the situation in the Soviet Union. The annual conference of the ILO in June which will be attended by government, employer and worker representatives will also have every opportunity to express itself on the subject.

It needs to be said that the ILO cannot do more than express the views of its members and it does this as in the case of the complaint against the USSR, in unambiguous and firm terms. Its credibility in dealing with one-party or *totalitarian countries depends* ultimately on the attitude *adopted by the workers and* employers of the Free World—and that includes the British TUC and the CBI.

Lord Plant of Benenden.
19 Montacute Road, Lewes, Sussex.

Today's Events

UK: National Economic Development Council discusses manpower problems, London.

Mr. Kenneth Baker, Industry Minister, speaks at Electronic Engineering Association dinner, Savoy Hotel.

Confederation of Shipbuilding and Engineering Unions discuss industrial action over pay claim, London.

Overseas: Mr. Cecil Parkinson, Trade Minister, discusses trade with U.S. Government leaders, Washington.

Mrs. Indira Gandhi addresses World Health Organisation, Geneva; meets Swiss Government leaders, Berne.

PARLIAMENTARY BUSINESS
See Parliamentary News on page 12.

OFFICIAL STATISTICS
Advance energy statistics for March. London clearing banks' monthly statement for mid-April. UK banks' eligible liabilities, reserve assets, reserve ratios and special deposits for mid-April.

COMPANY MEETINGS
Equity and Law Life Assurance Society, 20 Lincoln's Inn Fields, WC, 12.15. Family Investment Trust, 20 Fenchurch Street, EC, 2.30. General Accident, Fire and Life Assurance Crpn., Perth, 11.30. Gibbs and Dandy, Stuart Street, Luton, 11.30. Hawley Leisure, Eurocrest Hotel, Maidenhead, Berks., 12. Howard and Wyndham, Caledonian Hotel, Princes Street, Edinburgh, 10. Invergordon Distillers, 7 West George Street, Glasgow, 12.30. Law Land, Howard Hotel, Temple Place, WC, 12.30. Hugh Mackay, Royal County Hotel, Durham City, 12. Midland Bank, Poultry, EC, 12. Pittard Group, Manor Hotel, Yeovil, Somerset, 12. Trade Indemnity, 12 Great Eastern Street, EC, 12. United Biscuits, Assembly Rooms, George Street, Edinburgh, 12.

Tootal tumbles to £7.25m and tones down dividend

SECOND HALF pre-tax profits of Tootal, thread and textile manufacturer, dropped from £8.23m to £5.22m, leaving the result for the year to January 31, 1981 sharply lower at £7.25m compared with £14.64m. Sales to external customers were down from £390.44m to £377.09m. The final dividend is cut from 2.0415p to 1.25p for a total of 2.35p against 3.1415p.

The board anticipates that there will be an improvement in profits, after interest, to £12m in the current year, and it says this is solely on account of the elimination of loss-making activities, the greater efficiency of re-equipped plant and other economies achieved to date.

The group suffered in the UK from a reduction in demand, which led to pressure on margins and also from high interest rates—charges rose from £9.74m to £12.07m—and the continued strength of sterling.

Nevertheless, the restructuring that took place during the previous year halted the worst consequences of the difficult trading conditions, despite disruption from the restructuring itself.

Mr. Alan Wagstaff, the chairman, said later that the current year profits forecast did not include any anticipation of any upturn in the level of business. He does not see any real signs of improvement in trading conditions, but believes the group is "bumping along the bottom."

He said the group broke even in its UK operations, after interest of around £5.5m. The fabrics business, hit by rising import competition, lost £2m before interest. Clothing operations, where shirts were particularly hard-hit, suffered a £2m downturn.

In household goods, the Osman sheets business had a "very difficult" year. The group suffered not only from import competition, but from competition within the UK.

Commenting on the Ups 'n Downs U.S. business, Mr. Wagstaff said losses were around £0.75m—slightly up on last time—but the group is budgeting for a break-even this year. The business is not viable as it is, he said, and the options are either to expand it or to dispose of it.

During the year working capital was brought down by £13m, principally because of stock reductions. Despite capital expenditure of £15m, the increase in net borrowings has been held to only £3m.

Trading profits for the year were down from £24.38m to £19.32m. After tax of £3.4m (£3.62m), minority profits of £1.38m (£1.58m) and extraordinary debits of £9.2m (£907,000), there was an attributable loss of £6.65m (profits £8.54m). Dividends absorb £4.37m (£5.77m). Extraordinary items include full provision for reorganisation and closure costs, of £8.89m (net of tax relief of £240,000) decided to the present date.

There was a transfer of £11.02m from reserves (£2.77m to reserves), and stated earnings per 25p share were down 3.9p to 1.3p.

An analysis of trading profits by activity (£000s omitted) shows: thread £13,134 (£13,662); clothing, £1,208 (£3,454); textiles, £7,757 (£7,382); non-wovens, £1,227 (£1,493); others, £1,576 loss (£160 profit). A geographical breakdown shows: UK, £5,520 (£10,621); rest of Europe, £712 (£1,554); North America, £4,753 (£4,068); Asia £641 (£1,621); Africa, £4,357 (£2,873); Australasia, £5,767 (£5,414).

On a CCA basis there was a pre-tax loss after interest and gearing adjustment, of £3.5m (£789,000 profit).

See Lex, Back Page

HIGHLIGHTS

Lex looks at the sever setback in the market yesterday following the sharp rise in Dollar interest rates. **Mothercare** reports lower profits as expected with volume under pressure and continued losses in the U.S. **Tootal's** profits are again lower but there are signs that they are stabilising. Finally Lex looks at the news from **TI** which is splashing out on a U.S. acquisition despite its troubles in the UK. On the inside pages there is news of the lower profits from **Pearson**. Profits at Hepworth have sagged but both **Telephone Rentals** and **French Kier** are up. Along with its figures French Kier revealed that **Trafalgar House** has bought a near 15 per cent stake.

J. Hepworth midterm shortfall

PRE-TAX profits of J. Hepworth and Son have fallen from £3.5m to £2.72m for the six months to February 28, 1981. However, with the tax charge substantially reduced, earnings per 10p share show an improvement from 3.92p to 4.24p and the net interim dividend is held at 0.79p.

Last year's total payment was 3.79p from taxable profits of £5.71m.

For the half year, operating profits declined to £3.51m (£4.19m) on turnover up from £29.72m to £37.02m.

Interest payable rose to £786,000 (£691,000), tax took £0.85m (£1.86m) and there was an extraordinary credit this time of £307,000 (£330,000).

This left the attributable balance ahead at £2.18m (£1.97m), from which the interim dividend, costing £344,000 (£324,000), was paid.

Mr. R. E. Chadwick, chairman of this multiple tailor, points out that the profit before tax includes for the first time a contribution from W. and E. Turner.

This company has now been integrated into the group and is on target with its declared aim of opening 20 new trading outlets per year, he adds.

Club 24 increased the number of external retailers' accounts but the increased contribution generated was largely offset by the high cost of borrowing. Menswear profits were reduced because of the static trading conditions but, following last year's rationalisation, manufacturing activities are now making a positive contribution to profit.

The lower tax charge in the current half year has resulted from capital allowances and stock appreciation relief.

● comment

The retailing sector remains difficult, but Hepworth is holding up reasonably well. Its 22 per cent pre-tax decline could have been worse and would have been had it not been for a £400,000 contribution from six months of Turner. Menswear volume was down 5 per cent in the first half although the shortfall here was partly made up by an increase in Club 24 earnings. Hepworth faces another year of shrinking profits and will probably only make a little above £5m in the current year (against £5.7m). The shares fell 3p yesterday to £114p, but still look very fully valued with a prospective fully taxed multiple of 20. A key reason for this premium could be the British Land holding: Hepworth's asset backing is still more than 50p above its share price.

SPAIN

May 5	Price %	+ or −
Banco Bilbao	307	−3
Banco Central	357	−2
Banco Exterior	289	
Banco Hispano	286	−29
Banco Ind. Cat.	124	
Banco Santander	338	−1
Banco Urquijo	186	−3
Banco Vizcaya	324	−3
Banco Zaragoza	216	
Dragados	145	+2
Espanola Zinc	75	
Fecsa	63.5	
Gal. Preciados	30.5	+0.5
Hidrola	67	+0.3
Iberduero	57	−0.5
Petroleos	106	−2.6
Petroliber	90	+2
Sogefisa	81	
Telefonica	61.5	
Union Elect.	67.2	+0.2

Towles falls and cuts payout

TAXABLE PROFITS of Towles slumped in the 12 months to February 28, 1981, from £758,000 to £280,000 and the company, which manufactures hosiery and knitwear, is cutting its dividend by 1.3p to 2.1p net.

After a tax credit of £10,000 (£122,000 charge) stated earnings per 10p share emerged at 11.61p (26.04p), with the attributable balance showing a drop from £625,000 to £279,000.

Warnford moves forward

THOUGH MODERNISATION and repairs more than doubled to £885,547 Warnford Investments, the property investor, edged pre-tax profit ahead from £2.14m to £2.33m for the year to December 25, 1980. Turnover improved to £3.4m, against £2.83m.

Stated earnings per 20p share came out at 12.21p (11.01p) and the net total dividend is being increased to 10p (9p) by a 5.5p final.

Tax took £1.15m (£1.09m) and attributable profit came out at £1.71m (£1.06m). There was a loss of £647,000 on sale of properties and other disposals, compared with a £750,324 surplus last time.

The modernisation and repair programme is almost complete and amounts chargeable for the current year will be considerably lower, the company states.

Finland 'bulldog' issue

A £50m foreign bond was announced for the Republic of Finland. This is the sixth "bulldog" bond to be launched since the market reopened last summer and it will be led by Morgan Grenfell.

Like the World Bank £100m "bulldog" issue announced last week, it carries a maturity of five years. The yield will be set 75 basis points above the 12 per cent Treasury Stock 1986, as it stands on Thursday.

Because the bond is issued by a sovereign borrower and is being made available by way of public offer, it will qualify to be quoted in the gilt edged market.

RIGHTS RESULTS

The rights issue of 2m new ordinary shares of 25p each made by **Yorkshire and Lancashire Investment Trust** has been taken up by shareholders in respect of 1,614,652 shares (80.7 per cent).

The **Rocky Mountains and Gas** rights issue of 1.2m new ordinary shares of 10p each was taken up in respect of 915,000 shares (76.25 per cent).

French Kier tops £8.6m —Trafalgar acquires 15%

Trafalgar House has acquired a 14.94 per cent stake in **French Kier**, the construction and property group which yesterday announced record profits for 1980. As yet no indication of the reason for purchase has been given by Trafalgar.

In its preliminary statement French Kier said that its financial standing had been restored and it now plans to ease its stringent dividend policy.

A £190,000 advance in the second half lifted the company's pre-tax total for the year from £8.27m to £8.61m on turnover of £216m, against £209m. At year end cash net of borrowings amounted to £11.2m.

In view of the continuing difficult trading conditions Mr. J. C. S. Mott, the chairman, says he believes the outcome of the group's operations in 1981 may not exceed those now reported but will be satisfactory.

The directors are recommending an increased final of 2.3p taking the total to 3.25p net, compared with 2.5p for the previous year which included a 0.28p non-recurring distribution. The special has been consolidated this time.

Stated earnings per share for 1980 rose to 13.4p (10.2p) after a lower tax charge of £2.24m, against £3.43m. Available profit emerged at £11.15m (£6.08m) after extraordinary credits of £4.81m (£1.22m) and minorities. The retained balance was £9.61m (£4.89m).

The extraordinary gain included a £5.71m deferred tax release arising from stock appreciation relief and £0.7m provision for costs of the possible closure of a pipe-making factory.

Current cost pre-tax profit was £5.58m.

Shareholders' funds on the historic balance sheet were up at £376.6m (£28m) and net current assets at £14m (£11.9m).

Several meetings were held during the year with the Department of Transport to resolve matters arising from the May, 1975, agreement between the department, then the Department of the Environment, the company and W. and C. French (Construction).

"I had hoped that more progress would have been made," says Mr. Mott adding that he is satisfied that the £524,000 withheld by the department against issued payment certificates, is being withheld unnecessarily.

French Kier shares rose 1p to 81p yesterday following the announcements.

The market capitalisation of French Kier is £37.4m while that of Trafalgar is £244.2m at yesterday's closing share price of 102p, down 3p.

Mr. Mott, chairman of French Kier, said he had not had any contact with Trafalgar to ascertain its intentions.

Trafalgar apparently acquired its 7.1m French Kier shares from two large holders, the Al Jazira Contracting Company and William Press Investments.

Al Jazira, which is involved in a joint venture contract with French Kier, reported last August that it had acquired 4.7m shares, 10.02 per cent, but did not plan further purchases. At the time, French Kier shares were trading at about 40p.

Yesterday Al Jazira said that the shares proved to be a very successful investment.

● comment

French Kier's preliminary statement shows many of the attractions of this construction and property group for a potential bidder. (It is difficult to think of any other reason Trafalgar House bought a 15 per cent stake last week). Profits are satisfactory, the order books are strong, the dividend is covered more than five times on a CCA basis and the net cash balances of £12.4m account for a quarter of net worth of £47.6m. All this is a long way from French Kier's 1974 liquidity crisis. However, the group has not been immune from the difficult trading climate of the past year. Profits on construction in Europe are down more than a third to £2.2m and overseas profits are only marginally ahead. Birchwood Concrete sustained a £0.3m trading loss and a £0.7m provision has been made to close its pipe factory. An unusually large land sale helped push up profits on the property side from £0.8m to £2.8m. There is probably no improvement in profit to look for in the current year but at 81p yesterday, up 1p, the shares are at a 20 per cent discount to net worth and reflect a fully taxed p/e of about 9. The yield is under 6 per cent.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Roberts Adlard	6	—	5	8	7
French Kier	2.3	July 3	1.27	3.25	2.5
Fundinvest ...int.	1.73	May 31	1.79	—	4.18
Grovebell Group	Nil	—	Nil	Nil	0.5
J. Hepworth ...int.	0.79	June 26	0.79	—	3.79
Lamont Holdings	0.7	July 1	—	1.1	1
Midland Marts	2.5	July 6	Nil	2.5	Nil
Mothercare	3.38	July 1	3.38	5	5
Pearson Longman	4.61	June 26	4.61	8.36	8.36
S. Pearson	6.25	June 26	6.25	10	10
Telephone Rentals	6.25	July 6	5.7	8.25	7.5
Tootal	1.25	July 6	2.04	2.35	3.14
Towles	2.1	—	3.4	2.1	3.4
Transvaal Cons.‡ ...int.	75	July 3	65	—	215
Warnford	5.5	Sept. 30	5	10	9
Thomas Warrington	3.57	July 2	2.38	4.73	3.54

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ SA cents throughout.

Losses at Grovebell accelerate

DESPITE A marginal rise in turnover from £10.01m to £10.87m losses at Grovebell Group accelerated in the 12 months to end-November, 1980, the pre-tax deficit emerging at £615,278, compared with £209,272.

At the time of the rights issue last October the directors anticipated a loss at the pre-tax level of £650,000. As predicted then there is no dividend for the year—last year an interim of 0.5p net was paid but the final was omitted.

The directors say now that they consider the company has surmounted the problems of 1980 and is well placed to go forward by a recovery of profitability.

Trading profit of the continuing group declined from £381,688 to £219,750 and the loss of closed-down companies and Rotex amounted to £299,343 (£264,781).

Interest charges rose from £326,179 to £535,685 and after tax credits of £52,745 (£19,230) there was a stated loss per 5p share of 34.38p (17.39p).

Last year there was a debit for the pre-acquisition profit of a subsidiary acquired of £65,685, against nil this time.

The principal activities of Grovebell include a main dealership for Vauxhall and Bedford vehicles, general garage activities and import and export confirming.

VIKING RESOURCES

The board of Viking Resources Trust has announced that the company's $2.5m multi-currency loan facility with the Royal Bank of Scotland was repaid on April 28 and refinanced by a similar facility for a period of five years, drawn initially in the sum of £1,153,412.

SEI reconstruction details

SHAREHOLDERS of the Scottish European Investment Company, who have seen their asset value go down from 100p when the closed end fund was launched in 1972, to the current level of 51.7p, are being asked to agree a reconstruction to divert a third of the capital into a new investment arena — small companies.

The fund, managed by Stewart Fund Managers of Edinburgh, is one of the last of the half dozen funds set up in the early 1970s to invest in Europe. The history of all of them has been troubled and after bad conditions in 1974 and 1975 performance has at best been dull.

Most of the other European investment trusts have been unitised and liquidated. However, Stewart Fund Managers believes there is still some opportunity to be found in Europe, so it is proposing only to unitise two-thirds by creating a new Stewart European Fund which it hopes shareholders will stay invested in.

They can, however, choose to redeem their units in the new fund, on the traditional formula basis for assessing value.

The remaining one third of the existing investment company will be reorganised into shares and the company renamed Stewart Enterprise Investment Company, with a policy of investing in smaller quoted and unquoted companies.

Enterprise's initial capital would, therefore, amount to about £2.8m, the value of the retained assets. But the new proposals also include a placing of a further £2.25m of new shares in Enterprise mainly to institutions, underwritten by Lazard Brothers.

Existing shareholders would also be able to subscribe for up to £750,000 of the new shares at net asset value.

Alternatively, existing shareholders would be able to sell the Enterprise shares, acquired pro rata during the unitisation and translation into the new share structure. Lazard has agreed to buy the shares for cash on the basis of 96 per cent of net asset value at the time the legal formalities are completed. (The reconstruction requires approval of the courts.)

Stewart Fund Managers also manages the £100m Scottish American Investment Company which has specialised in unquoted investments. It believes that small unquoted investments are no longer suitable for the American fund but warrant the establishment of Enterprise, with a capital of about £5m.

By partial unitisation of the existing company, the stock market quotation would be retained for Enterprise and the nucleus of a small companies fund already exists. Eventually, the aim is to be 50 per cent invested in small unquoted situations.

The reconstruction requires shareholder approval and a date for a special meeting will be set shortly.

UK COMPANY NEWS

£4.2m decline for Mothercare

DECLINING TRADING profits in both the UK and Europe and more than doubled losses on U.S. operations reduced the pre-tax surplus of Mothercare to £18.07m in the 52 weeks to March 27, 1981, compared with a record £22.28m the year before.

At the interim stage, when profits were down £2.5m at £8.05m, the directors of this children's wear and nursery goods retailer said sales were below budget and markdowns higher. Full-year sales were ahead 6 per cent at £169.72m against £160.17m.

Tax charges of £9.44m (£11.19m) have resulted in a 22 per cent reduction in net profits, to £8.63m (£11.09m), and earnings, shown as 13.39p (17.2p) per 10p share.

The net dividend is maintained at 5p with a final of 3.38p and again absorbs £3.22m.

In the UK, trading profits fell from £21.23m to £17.91m on sales of £135.77m (£129.82m). European profits declined to £870,000 (£1m) on turnover of £18.53m (£17.48m) and in the U.S. losses increased by £492,000 to £877,000 on sales of £15.43m (£12.87m).

The group pre-tax surplus—reduced to £15.82m (£19.99m) on a CCA basis—also included property disposal profits of £170,000 (£436,000) and net investment income of £764,000 (£1.02m).

Figures for the U.S. and European subsidiaries are for the 52 weeks to February 27.

During the year a further U.S.$4m was paid to Mothercare Stores Inc in the U.S. to increase capital.

New stores were opened at Redditch, Taunton, Vienna North (Austria) and Biel (Switzerland). Seven UK stores were resited and in the U.S. 39 new Mothercare stores were opened and 15 Mother-To-Be shops closed as planned.

See Lex, Back Page

Phoenix clients back the change of emphasis in UK

THE Phoenix Assurance Company last year changed the emphasis and direction of its endeavours for business in the UK. Mr. Jocelyn Hambro, in his chairman's statement, pointed out that because of the constraints in the commercial insurance market, the company took the decision to expand its personal insurance operations.

It achieved substantial growth in household and private motor business, backed by the introduction of attractive new literature and plain language insurance contracts.

However, he warned of the burden being placed on insurers by the substantial rise in the number of theft claims in several countries, which had a disturbing cumulative effect on both commercial and personal insurance accounts. Thus, in many of the territories in which the group did business, claims ratios had worsened.

Mr. Hambro defended the decision of Phoenix to participate in the Insurance Ombudsman Bureau, which provided an independent review of insurance complaints in the UK.

He felt that such an operation would impress the Government and the consumer associations of the intent to maintain high standards of integrity and service, and the company's willingness to expose particular decisions to outside scrutiny.

As already reported, the group maintained its pre-tax profits at £32.2m in 1980, despite underwriting losses advancing from £14.1m to £20.6m.

Long term insurance funds rose by nearly £100m from £547m at the beginning of the year to £632m at the end

Johnson and Barnes' shares halted

Johnson and Barnes, a Nottingham-based knitwear manufacturer, yesterday called a halt to dealings in the company's shares pending an announcement. At the suspension price of 7p the company is valued at £268,000.

The group showed a pre-tax loss of £152,000 for 1979 and in the first half of 1980 losses increased from £70,745 to £229,569. No dividend has been paid by the company—a subsidiary of Grand Central Investment Holdings—since 1975.

Announcing the interim deficit in December, the directors said that losses had continued into the autumn, but overheads had been reduced by vacating a large part of the group's factory site and concentrating the reduced workforce into a relatively small area of the factory.

TR ahead and sees 1981 rise

TAXABLE profits of Telephone Rentals went ahead from £11.27m to £12.43m in 1980 and the dividend total is being stepped up to 8.25p against 7.5p with a final of 6.25p.

The directors say that the current year should show some further improvement. While overseas companies should continue to perform well during 1981, the UK interests will have an uphill struggle until the economy shows signs of recovery.

Tax took £4.56m (£3.54m) in 1980 and after minorities' profits of £38,000 (£33,000) and a 1979 extraordinary credit of £397,000, the attributable surplus emerged slightly lower at £7.83m against £8.1m. Stated earnings per 25p share are 20.18p (19.48p). Dividends absorbed £3.2m (£2.91m).

Group turnover increased from £39.86m to £48.35m, comprising rental income of £23.86m (£21.4m) and sales and other revenue of £24.49m (£18.46m).

The pre-tax surplus included associates' profits of £257,000 (£272,000) and interest received of £477,000 (£415,000) and was struck after a trading loss of £406,000 at Grampian Reproducers, a subsidiary which is to cease trading. Depreciation charges were up from £4.24m to £4.82m.

As well as providing a full range of telephone rental services, the group manufactures data communications and production control equipment and instals commercial refrigeration plant.

● comment

Telephone Rentals had a head-start in 1980, in the shape of orders hanging over from the 1979 engineering strike. The delays had unwound completely by the middle of the year, so TR's second half had to fend for itself in the UK depression. In the circumstances, it was a demonstration of TR's resilience that pre-tax profits for the second half fell only 5 per cent short of the interim figure. There was an encouraging turn-round in France, and a range of data-processing equipment met with a good reception in the UK. The shares fell 10p yesterday, to 318p, which leaves them priced at 20 times fully-taxed earnings and yielding 3.8 per cent. This elevated rating owes little to the soundness of last year's record, and not much to expectations of a marginal improvement this year. The shares' attraction derives from the prospect of deregulation in the telecom supply industry. TR is uniquely placed to exploit this imminent move, and the growth which it can expect to enjoy from 1982 onwards is to be seen in the price.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Jenks and Cattell, London and Provincial Shop Centres.

Finals: Altifund, Ambrose Investment Trust, Brixton Estate, Chesterfield Properties, Continental Union Trust, Feedex Agricultural Industries, Matthew Hall, Heal and Son, P. C. Henderson, Hunting Gibson, Milletts Leisure Shops, Penninsular and Oriental Steam Navigation, J. Sainsbury, Smith St. Aubyn, J. O. Walker.

FUTURE DATES

Interims—

Brockhouse	May 22
G.R. (Holdings)	May 8
Gomme	†May 22
Hawkins and Tipson	May 12
Jessups	May 13
National Bank of Australasia	May 7
North Midland Construction	May 11
Royal Bank of Scotland	May 7
Scottish National Trust	May 26
Tricoville	May 8

Finals—

Advance Services	May 20
Allied Plant	May 7
Bilton (Percy)	May 26
British Investment Trust	†May 7
City of Oxford Invest. Trust	May 13
Costain	May 12
Crowther (John)	May 15
East Rand Consolidated	May 7
European Ferries	May 11
H.A.T.	July 14
Heath (C. E.)	May 19
Hicking Pentecost	June 24
King and Shaxson	May 12
Land Securities Inv. Trust	May 18
Oxley Printing	May 12
Pickles (William)	May 11
Portsmouth and Sunderland Newspapers	May 20
St. George's Laundry (Worcs.)	May 11
Turriff	May 12
Wight Holdings	May 13
Yorklyde	May 7

† Amended.

Lamont profit tops £0.4m

A RISE in taxable profits from £283,000 to £402,000 is reported by Lamont Holdings, investment holding company, for 1980 on turnover £3.05m higher at £6.22m.

However, Sir Desmond Lorimer, the chairman, points out that the figures are not directly comparable because of major acquisitions during the year — it purchased McCleery L'Amie Group for shares and cash and three engineering companies for cash. It also sold its 56.2 per cent interest in Securex (Pty) of South Africa.

At mid-year pre-tax profits were up from £80,580 to £121,000.

The dividend for 1980 is raised to 1.1p net, with a final of 0.7p. Last year a single payment of 1p was made.

Tax again took £70,000 after which stated earnings per 10p share rose from 2.85p to 3.3p, a rise of 16 per cent.

There was a minority loss of £4,000 (£3,000) and an extraordinary credit of £169,000 (£9,000 debit) arising from the South African sale.

The company is controlled by Ulster Finance.

EUROPEAN OPTIONS EXCHANGE

Series		May Vol.	May Last	Aug. Vol.	Aug. Last	Nov Vol.	Nov Last	Stock
GOLD C	$475	15	13	4	47	1	62	$477
GOLD C	$500	36	2.50	5	28	3	50	"
GOLD C	$525	10	1	3	22	100	37	"
GOLD C	$550	1	0.10	30	12.50B	1	30	"
GOLD P	$475	31	7	—	—	—	—	"
GOLD P	$500	16	24	—	—	—	—	"
GOLD P	$525	4	47	—	—	—	—	"
		June		Sept.		Dec.		
GM C	$50	16	4⅛	—	—	—	—	$53
GM C	$60	5	⅜	—	—	—	—	"
		July		Oct.		Jan.		
ABN C	F.280	20	15	—	—	—	—	F.281
ABN C	F.300	11	5 A	11	11.50	—	—	"
ABN C	F.320	5	1.80	—	—	—	—	"
AKZO C	F.17.50	31	6.30	—	—	—	—	F.25.20
AKZO C	F.20	69	4.10	13	5	—	—	"
AKZO C	F.22.50	16	2.10	—	—	—	—	"
AKZO C	F.25	35	1.10	122	2.50	57	3.60	"
AKZO P	F.22.50	35	0.80	—	—	—	—	"
AKZO P	F.25	79	2.10	—	—	12	3	"
AMRO C	F.55	5	3.20	—	—	—	—	F.56.80
AMRO C	F.60	5	1.20	—	—	—	—	"
KODA C	$.80	10	2½	—	—	—	—	$75⅞
HEIN C	F.60	57	1	11	2	—	—	F.54.20
HEIN P	F.55	20	2.50	—	—	—	—	"
HEIN P	F.60	21	5.50	—	—	—	—	"
OOG C	F.17.50	10	2	—	—	—	—	F.18.20
HOOG C	F.20	10	1.10	—	—	—	—	"
IBM C	$65	5	⅞	—	—	—	—	$56⅝
IBM P	$65	5	7	—	—	—	—	"
KLM C	F.90	10	32.50	—	—	—	—	F.120
KLM C	F.100	19	24.90	—	—	—	—	"
KLM C	F.110	18	17.80	—	—	—	—	"
KLM C	F.120	10	12	—	—	—	—	"
KLM C	F.130	166	7.50	11	13	10	15.50	"
KLM P	F.90	21	1.10	10	4	—	—	"
KLM P	F.100	25	3.10	—	—	—	—	"
KLM P	F.110	9	5.70	—	—	—	—	"
KLM P	F.120	17	10	—	—	—	—	"
KLM P	F.130	41	15	—	—	—	—	"
NATN C	F.120	80	3.70	—	—	—	—	F.119.70
NATN C	F.125	—	—	5	3.50	10	7	"
PETR C	F.5000	—	—	5	170	—	—	Fr.4525
PHIL C	F.15	51	6.30	—	—	—	—	F.21.30
PHIL C	F.17.50	32	4	89	4.10	—	—	"
PHIL C	F.20	133	1.70	346	2.40	—	—	"
PHIL C	F.22.50	479	0.80	65	1.30	324	1.80	"
PHIL P	F.20	70	0.80	21	1.20	—	—	"
PHIL P	F.22.50	6	2 B	—	—	—	—	"
RD C	F.90	154	5	—	—	—	—	F.92
RD C	F.95	66	5 A	—	—	—	—	"
RD C	F.100	168	1.70	63	5.60	27	4	"
RD C	F.110	125	0.70	—	—	—	—	"
RD P	F.80	83	1.10	—	—	5	7.30 A	"
RD P	F.90	96	4.20	—	—	—	—	"
RD P	F.95	50	7.50	—	—	—	—	"
UNIL P	F.140	10	3.20	—	—	—	—	F.147.50

TOTAL VOLUME IN CONTRACTS 3984

A=Asked B=Bid C=Call P=Put

Companies and Markets

MINING NEWS

Patino sees fall in earnings

EARNINGS OF **Patino**, the Dutch natural resources group with extensive Canadian interests, are expected to decline in the current year, according to the latest annual report.

Mr. Pat Keenan, chief executive, said he expects the currently lower metal prices to prevail during the balance of the year, which will cut the profits from the group's Canadian mines despite the programme of forward sales.

This programme should enable first-quarter results to be good, but the second quarter will be weaker. Prospects for the second half depend on the timing of a general economic recovery, and Mr. Keenan said he does not see this coming before the end of the year.

Beyond that, he said that the income earned on the U.S.$32.5m from the sale to **Brascan** of the 96 per cent interest in the Brazilian subsidiary **Cesbra** is unlikely to match income from the company in 1980.

The litigation with the French state-controlled **Bureau des Recherches Geologiques et Minieres (BRGM)** and **Amax**, the U.S. natural resources company, is continuing. "This will be one of our key objectives in 1981," Mr. Keenan said.

This litigation concerns a multi-million dollar nickel-cobalt project in New Caledonia, at a deposit discovered by Patino. The company did preliminary development work between 1965 and 1969, and mining title is now held by the French-registered **Cofremmi**.

Patino estimates that the project has so far cost it around $80m, and the gross value of the recoverable nickel and cobalt is thought to be more than $10bn.

The company now wants to be bought out of the venture under an agreement with BRGM, which Patino claims has been violated.

The Tribunal de Commerce de Paris has ruled that it has jurisdiction in the case, which should be heard before it. An appeal against this ruling by BRGM and Amax will be heard in Paris on June 12.

In a separate suit against the same two defendants in the U.S. District Court in New York, Patino is claiming that they conspired to exclude the Dutch company as competitors in nickel sales . Amax and BRGM have until May 26 to respond.

A long time to wait for diamonds from Ashton

BY GEORGE MILLING-STANLEY

FULL COMMERCIAL production of diamonds from the Argyle prospect of the Ashton diamond joint venture in Western Australia is not expected until early in 1985, according to Sir Roderick Carnegie, chairman of CRA.

This is the first time CRA has gone on record with a timetable for the development of the project, and it follows a statement last month by **Rio Tinto-Zinc**, the group's British parent, that commercial production was at least two years away, reports our Sydney correspondent.

Sir Roderick told yesterday's annual meeting of CRA that a decision on the construction of a large-scale commercial plant should be taken in 1982.

Detailed feasibility studies have now been completed on the prospect's other main section, the small but high-grade alluvial deposit at Upper Smoke Creek. Production is expected to begin in the near future.

Existing treatment facilities will be used, and the revenue from Upper Smoke Creek should be sufficient to fund continuing evaluation and exploration spending by the Ashton consortium, estimated at A$22m this year. CRA holds 56.8 per cent of the joint venture, **Ashton Mining** has 38.2 per cent and **Northern Mining** 5 per cent.

Sir Roderick put the total cost of developing Ashton at between A$450m (£242m) and A$500m.

In response to a question from a shareholder, he said it has not yet been decided whether the diamonds will be marketed through **De Beers' Central Selling Organisation**, which handles about 80 per cent of world rough diamond marketing.

Sir Roderick also revealed that CRA's share of the total of U.S.$39m to be paid to Westinghouse of the U.S. in settlement of the American company's uranium antitrust action will be A$6.8m, while the subsidiary **Mary Kathleen Uranium** will pay A$0.87m.

A further term of the settlement is that the defendants have to supply Westinghouse with a total of 9m lbs of uranium at a substantial discount to market prices, but neither of the RTZ group companies in Australia is involved in this. The companies reached an out-of-court settlement with Westinghouse earlier this year.

Turning to the group's prospects, Sir Roderick said the immediate outlook was for a "very substantial" fall in earnings, even allowing for some improvement in trading conditions later in the year.

Emphasising the long-term nature of the natural resources business, he added that CRA's share of new capital investment in projects maturing over the next four years will probably be around A$1.5bn.

The shares lost 12p to 242p in London yesterday.

Elandsrand and 'Sallies' issues

THE FUNDS from the proposed rights issued by the **Anglo American Corporation's** young **Elandsrand** gold mine in South Africa's Far West Rand should enable the mine to reach its targeted full production of 180,000 tonnes of ore a month by March, 1984, according to a circular to shareholders.

Elandsrand, which is seeking R120m (£68m) by a 28-for-100 issue at R5.70, needs the new funds to maintain its expansion programme, especially in the development of the sub-vertical shaft system.

There have been serious delays with this project, and the system is now expected to be commissioned in late 1985, about three years behind schedule. Much of the delay was caused by geological problems, which meant that the shaft had to be re-sited.

The development of the shaft will mean that Elandsrand can exploit the higher-grade reefs which lie at lower levels. The circular said that this is necessary because of the mine's "inability to increase production to the levels anticipated in 1978, coupled with lower grades and, more recently, lower gold prices."

Perhaps the most welcome news for shareholders is that the Soiuth African exchange control authorities have given permission for non-residents of the country to use the financial rand to take up their rights. This will make the cost of each share about £2.37, a discount of around 27 per cent against the cost through the commercial rand.

The much more modest fund-raising by the Anglo group's **South African Land ("Sallies")** will be used to finance a comprehensive underground sampling programme at the promising No. 5 shaft of the former Van Dyk gold mine to the west of the existing operations.

Sallies hopes to raise R13m through a 35-for-100 issue at R5.70.

The circular said that the sampling programme, which will take about two years, is necessary before the mine embarks on any major capital spending on the Van Dyk property.

If Sallies decides to go ahead with development, "it will be necessary to raise additional funds at that time,' the circular said. The company is thinking in terms of an operation eventually producing 100,000 tonnes of ore a month.

ROUND-UP

Lower net profits reported for the March quarter by the South African base metal and coal producers in the **Consolidated Gold Fields** group include a fall to R5.85m (£3.33m) from R11.7m in the previous three months at the **Black Mountain** lead-zinc-copper mine in the north-west Cape where the group is partnered by **Phelps Dodge**. While the mine's production increased in the last quarter, its sales of lead and zinc fell. Those of copper increased, but reduced prices would have been received for all three metals.

* * *

Good progress is being made with the R200m (£114m) No. 3 shaft at the Cooke section of South Africa's gold and uranium producing **Randfontein Estates**. At the Johannesburg meeting the chairman said that the new shaft could start commissioning ahead of schedule by 1984 with full capacity at the Cooke No. 3 section of the mine being reached by 1986.

* * *

South African gold production in March showed a slight rise to 1,781,394 oz from February's 1,725,120 oz, according to figures released by the Chamber of Mines. Output for March was also higher than the 1,765,248 oz recorded in March last year.

This brings the total production for the first three months of the year to 5,234,052 oz, 3.4 per cent below the level reached at the same stage of 1980.

Drilling at deeper levels at the former Big Dell gold mine on Western Australia's Murchison gold field has turned up more encouraging grades, according to the latest quarterly report from Australian Consolidated Minerals, which has a 50 per cent interest.

Two holes have intersected ore grading 4.8 grammes of gold per tonne at a depth of just over 1,000 metres, more than 300 metres deeper than any previous intersections on the main lode.

The other interests in the joint venture to reopen Big Bell are held by Nickelore, 30 per cent, and Metals Exploration with 20 per cent.

* * *

Zambia has stepped up the search for uranium, issuing new exploration contracts and increasing the acreage. Contracts were renewed with Saarberg Interplan of West Germany and Agip of Italy, and a new contract was signed with the French Compagnie Generale des Matieres Nucleaires (Cogema). Reports suggest that the Agip-Cogema acreage was tripled to 5,200 square miles.

Companies and Markets

BIDS AND DEALS

BSR pays $6m for Capetronic

BSR is to purchase for U.S.$6m the business and operating assets of Capetronic Int'l Corp. Capetronic has 5 factories in Taiwan and one in Chicago, manufacturing consumer - electronic products.

In 1980, its sales were $131m and profits after tax $1.2m. Sales in the current year are 15 per cent ahead, and profits are expected to improve.

Mr. John Ferguson, BSR's chairman said at BSR's annual meeting yesterday that the reason for buying Capetronics was its high-quality manufacturing capacity in Asia. This would be integrated with BSR's 54 per cent owned Hong Kong subsidiary, Astec, to produce a range of computer-peripherals—switching systems, monitors, printers, and terminals — which Astec was already developing and producing.

The resulting Far Eastern Division of BSR would have 0.7m sq ft of factory space and employ more than 5,000 people.

As the computer-peripherals business expands, BSR intends to scale down production of Capetronic's present range — largely cassette-receivers, clock-radios and other high-volume consumer items. In 1981, inclusion of Capetronic is forecast to lift BSR's electronics sales above $200m.

The purchase is to be financed entirely by convertible preference shares in a Bermuda company controlled by BSR. The vendor, Mr. Leonard Kaye — who is being retained on a 5-year service contract—will have the right to convert for BSR ordinary shares for 5 years from 1 April 1983.

At a conversion rate of 64.9 ordinary shares for each $100 preference share, the conversion price was yesterday equivalent to 73p. BSR shares closed at 54p.

WHATMAN REEVE SELLS SUBSIDIARY

Whatman Reeve Angel has sold its subsidiary—Whatman Biochemicals to a UK subsidiary of Genzyme Corporation, of Norwalk, Connecticut, U.S.

Whatman Biochemicals manufactures and markets a range of high purity enzymes which are sold to manufacturers of diagnostic re-agents for use in the detection of clinically significant conditions.

During 1980 Whatman Biochemicals made a pre-tax loss of £256,000. Net book value of Whatman Biochemicals at December 3, 1980 (excluding certain buildings which are being retained by WRA) amounted to £218,000.

WRA has received cash consideration of £70,000 for Whatman Biochemicals which is subject to adjustment in relation to the pre-tax profits (or losses) of Whatman Biochemicals for the first four months of 1981.

Tilling expands in U.S.

Thomas Tilling announced yesterday the further expansion of its U.S. interests in the supply of equipment to the energy industry by the acquisition of Atlas Supply Company for $1m (£473,000).

Atlas distributes oilfield supplies and oilfield equipment to oil and gas operators and drilling contractors from three locations in Michigan. Results for the year ended February 28, 1981, indicate sales of $8.1m and profits before tax of $0.4m.

Tilling conducts its equipment distribution interests through the Texas based NWS Supply Group. Atlas, founded in 1956, will form the basis of a new regional development for Superior Supply Company, a NWS subsidiary, and the company will provide an established entry into the rapidly expanding Michigan energy markets.

NWS Supply recently announced its first venture into the Far Eastern energy markets through the purchase of a 75 per cent stake in CIS, a Singapore-based distributor of oilfield equipment.

J. CAUSTON

The £100,000 paid by Sir Joseph Causton and Sons as further consideration against the acquisition of Hunkydory Designs, was split as to £50,750 cash to the independent vendors and the issue of 174,850 ordinary shares to Mr. Brian Shawcross.

Mr. Shawcross is a director of Causton and was the principal shareholder in Hunkydory. He now holds 175,850 shares in Causton.

TI's £25.6m American investment in aero parts

BY RAY MAUGHAN

Tube Investments, the major engineering group, is to pay $54.1m (£25.61m at yesterday's rate of exchange) for its first significant slice of the U.S. aircraft engine components market.

TI announced yesterday that it had signed contracts for the acquisition of the whole of the share capital of King Fifth Wheel, a privately-owned corporation based in Pennsylvania manufacturing flash-welded rings.

These constitute a major structural component of gas turbine engines and are made from metals such as high nickel alloys and titanium.

KFW is described as a leading supplier to all major North American engine builders, both in the military and civilian sectors, and to the small private and "commuter" type aircraft which is enjoying heavy demand in the U.S.

KFW employs some 800 people and produced profits of $10.5m (£4.97m) on sales of about $80m (£37.9m) in the year to September, 1980. It manufactures flash welded rings in Huntingdon Valley and Mountain Top in Pennsylvania, and owns a high vacuum furnace-making subsidiary, Abar Corporation, in North Carolina which accounts for about a third of total KFW sales.

Abar is said to be in the forefront of developments in heat technology and includes among its customers major U.S. companies in the aero engine airframe and automotive industries.

The acquisition is designed to complement TI Reynolds which forms part of TI's steel tube division. The group as a whole lost £27.6m last year after tax, dividends and heavy redundancies and other extraordinary items. TI Reynolds, however, provided one of the very few bright spots in a very gloomy overall trading background and has been successful in obtaining a high level of orders from UK and European aero engine manufacturers.

TI has found it difficult all the same to break into North American aerospace component schedules and recognised that it would require a direct U.S.-based manufacturing presence. It has apparently been talking to KFW for several months.

TI Reynolds and KFW are broadly equal in size. The TI offshoot employs about 700 people, and its profits last year are thought to have approached £4m pre-tax.

The consideration for the KFW deal comprises $39.1m (£18.51m) payable in cash within 30 days of completion of the contract, which is expected shortly, and promissory notes of $12.5m (£5.92m) payable in one year and $2.5m (£1.18m) payable in two years.

The group also expects to complete its $20m industrial gas cylinder manufacturing plant later this month on a "greenfield" site at Enid, Oklahoma.

LONDON TRADED OPTIONS

(May 5 Total contracts 1,260)

Option	Ex'rcise price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP	390	28	1	40	—	56	—	382p
BP	420	15	20	28	11	—	—	"
Com. Union	140	46	10	48	1	51	—	175p
Com. Union	160	26	3	32	—	35	1	"
Com. Union	180	12	16	19	1	24	—	"
Cons. Gold	420	73	5	82	8	—	—	468p
Cons. Gold	500	25	35	38	—	55	1	"
Cons. Gold	550	15	10	23	—	—	—	"
Courtaulds	60	16	8	19	—	22	—	86p
Courtaulds	70	9	33	12	12	16½	21	"
Courtaulds	80	4	37	8	12	10½	60	"
GEC	650	42	2	63	—	85	—	663p
GEC	700	15	30	35	2	53	—	"
Grand Met.	180	29	8	33	—	—	—	202p
Grand Met.	200	15½	55	22	—	28	—	"
Grand Met.	220	6½	1	13	—	18	3	"
ICI	220	104	10	110	—	—	—	312p
ICI	280	44	4	50	2	62	—	"
ICI	300	32	2	36	57	48	—	"
ICI	330	15	64	26	81	34	10	"
ICI	360	8	11	—	—	—	—	"
Land Sec.	420	22	19	39	—	49	—	424p
Marks & Sp.	100	42	5	—	—	—	—	136p
Marks & Sp.	120	23	2	27	18	—	—	"
Marks & Sp.	130	15	5	20½	1	26	—	"
Marks & Sp.	140	9½	34	14½	10	18	9	"
Shell	360	46	10	54	—	64	—	382p
Shell	390	24	1	34	—	46	2	"
Shell	420	12	12	22	—	—	—	"
Totals			443		186		107	
		May		August		November		
Barclays B'k	360	65	1	75	—	78	—	418p
Barclays B'k	460	2	—	13	1	25	—	"
Imperial Gp.	80	1	10	3	2	5	12	72p
Lasmo	550	27	—	52	2	77	—	559p
Lasmo	650	4	1	17	—	32	—	"
Lasmo	700	2	8	12	—	20	—	"
Lasmo	750	½	1	8	—	—	—	"
Lasmo	800	¼	1	4	—	—	—	"
Lonrho	90	7½	36	14½	—	16½	—	94p
Lonrho	100	2½	50	8½	30	11	2	"
Lonrho	110	1	—	6	3	7½	5	"
Lonrho	120	1	—	2½	15	—	—	"
P. & O.	120	36½	7	38½	—	42½	—	156p
P. & O.	130	26½	—	30	1	34½	—	"
P. & O.	140	17	21	23	—	28	—	"
P. & O.	160	5½	14	10½	41	15	15	"
P. & O.	180	2½	2	5½	1	9	—	"
Racal Elec.	280	98	3	102	—	—	—	376p
Racal Elec.	300	78	—	84	2	—	—	"
Racal Elec.	330	48	6	59	—	71	—	"
Racal Elec.	360	18	11	39	—	51	—	"
Racal Elec.	390	5	23	19	1	34	—	"
RTZ	420	—	—	120	2	140	5	520p
RTZ	454	75	25	—	—	—	—	"
RTZ	494	35	35	—	—	—	—	"
RTZ	500	—	—	60	25	75	6	"
RTZ	550	20	—	37	95	45	5	"
Totals			255		221		48	

Savoy rejects new offer

The Savoy Hotel yesterday rejected the revised £67.2m offer from Trusthouse Forte as "inadequate and unacceptable."

Savoy said that when the THF offer document has been despatched the Savoy directors will write to shareholders setting out the reasons why the offers should be rejected. Meanwhile shareholders are advised to take no action on any offer document they may receive. THF's offer is expected to be sent out next weekend.

THF launched its increased general offer—190p per share for the "A" and £11.23 each for the high voting "B" shares—on Friday evening following clearance for the bid from the Office of Fair Trading. THF had decided not to appeal against the High Court dismissal of its application to promote a scheme of arrangement. Under the *scheme THF had sought permission* to call separate meetings of the Savoy holders as a means of acquiring control.

Following share purchases in the market on Friday—largely representing the shares managed for institutions by S. G. Warburg's investment subsidiary—THF claimed to have access to a total of 52 per cent of the Savoy equity, representing about 32.5 per cent of the votes.

Through a large holding of the high voting "B" shares the Savoy directors and associates control up to 45 per cent of the votes. There are some other groups of "B" shares which the Savoy board hopes will continue to support it.

On the London Stock Exchange yesterday the Savoy "A" shares gained 5p to 193p while THF lost 6p at 164p.

Ripolin UK directors buy French stake

A management syndicate of UK businessmen has participated in the first French denationalisation by purchasing the French Government's 76 per cent stake in Ripolin UK, the paint company formerly owned by Le Ripolin. The holding was bought for FFr 40m (£3.6m) and the value of the entire deal was £4.9m.

Mr. Philip Jeffrey, chairman of Jacoa, the new name of the UK paint subsidiary, said yesterday that details had been finalised and all the shares had now been bought from the French.

The deal was engineered by Barclays Merchant Bank, which put up £3.2m of loan capital. Barclays Development Capital, the equity investment arm of the bank, has taken a £500,000 stake of equity in the company. Four Jacoa directors have invested £250,000 and the remainder of the shares are in minority hands.

The Jacoa group operates 150 retail outlets and also manufactures Ripolin paint. Mr. Jeffrey said yesterday he hoped to develop the company into a major force in the UK paint and DIY sector.

He said it might be possible to seek a public quotation in a year or two, but first he planned to pay back some of the company's borrowings, which amounted to £3.2m, against shareholders' funds of £1.9m. Mr. Jeffrey said the capital gearing level was high, but he was confident of reducing it within 18 months.

In the first quarter of the current year, Jacoa made a pretax profit of £213,438 against a loss of £60,924

ASDA SELLS UKAY STORES

With effect from May 26, Harris Queensway is to purchase nine provincial leasehold stores from Ukay Furnishing Centres, a subsidiary of Associated Dairies. On the same date ASDA will grant a 25 year lease to Harris of one further store.

Harris will pay some £3.8m for the stores, fixtures, fittings and certain vehicles and equipment. In addition, it will purchase for deferred settlement in cash the stock in the stores at May 26 at an agreed value based on cost.

The initial consideration is to be satisfied by the allotment of 1.5m ordinary shares of Harris. Arrangements have been made for the placing of these shares.

Eight of the properties are currently operating as furniture stores under the name Ukay Furnishing at Avonmouth Bristol, Reading, Southampton, Swansea, Cardiff, Plymouth, Colchester and Rayleigh and the remaining two at Hall Green and Erdington, Birmingham are nearing completion.

CAMELLIA SALE

Camellia Investments has sold its 29.95 per cent stake in Unochrome Industries to Eastern Produce (Holdings). Our issue of May 1 contained an incorrect qreport of hte deal.

UK COMPANY NEWS

S. Pearson profits down by £3.7m

S. Pearson & Son's attributable profits before tax fell from £40.4m to £36.7m during 1980. And the chairman, Lord Gibson, warns that the current year has not begun well for the group's UK manufacturing and newspaper interests.

The dividend for 1980 is unchanged at 10p with a final of 6.25p per share. This will cost £7.1m. On a current cost basis, the group's attributable profits for the year amounted to £1.2m after tax.

Most of the profits setback came in the group's quoted publishing subsidiary, Pearson Longman, where profits fell by nearly two fifths to £15.7m before tax. S. Pearson's share of these profits dropped by £6.1m to £10.2m pre-tax.

"I personally think we can take relative satisfaction from these figures," Lord Gibson said yesterday. They underlined the strength which the group enjoyed through its diversity.

Doulton, the ceramics, glass and engineering subsidiary, reported attributable profits down from £13.3m to £12.2m after showing modest progress in the first half of the year. The downturn reflected redundancy costs, the collapse of the home improvement market — which had a severe impact on Doulton Glass — and what Lord Gibson described as the "grave failure" of Fairey to meet the profits forecast made at the time of its acquisition in June.

Fairey made a loss of £2.8m for the full year compared with a forecast profit of £4m before tax. Mr. Michael Hare, Pearson's chief executive, said that the bulk of the discrepancy arose in Fairey's nuclear engineering and bridge building facilities at Stockport.

Pearson is expecting a report on the missed forecast from its auditors and solicitors within the next month, which will advise the Board in connection with any claims arising from the acquisition.

Lord Gibson said it would take some time to restore Fairey to acceptable profits, but that it was basically a very good company.

More positively, profits from Doulton's tableware business rose by over a third to more than £10m. This reflected the benefit of a cutback in overheads during 1979; an expansion in the retail side; an increased emphasis on higher priced products; and a good performance in Canada.

Lazard Brothers, the merchant banking group, also reported sharply higher earnings. After tax and transfers to inner reserves, profits were 29.6 per cent ahead at £5.6m, and balance sheet footings rose by 15 per cent to £839m.

Midhurst Corporation, which takes in Pearson's North American interests, benefited from rapid growth at Camco, the oil service supplier in which Midhurst has a 61 per cent interest. Its figures are consolidated for a 14 month period, but are still well ahead on a comparable basis.

Earlier this week, Camco reported first quarter profits of $4.5m pre-tax against $2.5m in the first three months of 1980.

Blackwell Land, the U.S. agricultural business, produced "remarkable results"—which are unlikely to be maintained in the current year.

During the year, Pearson spent £48m on new acquisitions, of which Fairey was much the biggest. This figure was offset by a cash inflow of £39m, made up of £31m from the liquidation of Embankment Trust's portfolio and the sale of half the group's holding in Westpool, plus a further £4m from the sale of subsidiaries and £4m raised by issuing new shares as part of the consideration for Fairey.

Borrowings of Pearson's original businesses rose by a net £33m as a result of lower profits, increased capital spending and pressure on working capital.

In the historic cost accounts, shareholders' funds total £237m, up from £195m, and minority shareholders' interests total £53m. Against this, there is £93m of medium and long term borrowing.

Lord Gibson said that those activities which had a hard time in 1980 were still experiencing difficulties in 1981, and the group did not expect to have a very good first half. However Mr. Hare pointed out that profits in the second half of the year were normally greater than in the first six months.

The annual meeting is on June 5.

	1980 Total Profit	1980 Attrib. to S. Pearson	1979 Total Profit	1979 Attrib. to S. Pearson
	£000	£000	£000	£000
Pearson Longman	15,871	10,159	25,689	18,293
Doulton and Co.	12,388	12,177	13,855	13,347
Tableware	10,085		7,445	
Glass inds.	1,548*		3,854	
Engineering	2,780		2,207	
Fairey†	505		—	
Australia	722		188	
Associated companies	1,350		994	
Expenses and interest	1,507		838	
Whitehall Trust (inc. Lazards)	13,012	10,481	11,550	9,517
Midhurst Corporation	9,592	7,284	5,855	4,450
Madame Tussaud's	1,847	1,847	2,048	2,048
Other interests	1,931	1,436	1,635	1,387
Pearson head office interest and expenses	6,696	6,696	6,684	6,684
Profit before tax	47,745	36,668	53,728	40,358
Tax		11,097		13,851
Net profit		25,571		26,507
Extraordinary credits		14,863		9,006
Dividends		7,080		6,864
Retained		33,354		28,649

* Loss. † Post-acquisition profit. Loss for year was £2.82m.

Newspaper decline hits Pearson Longman

The profits setback at Pearson Longman from £25.7m to £15.7m pre-tax was concentrated in its newspaper interests, Financial Times and Westminster Press. Taken together, their profits were down by £9.2m to £8.2m pre-tax.

Industrial disputes cost the newspapers £6m over the year, of which £4.5m arose in the first six months. The impact of the recession deepened as the year progressed, and the last quarter brought a very significant decline in job advertising, which particularly hit Westminster Press's papers in the South of England.

In the first quarter of this year, the volume of job advertising is said to have fallen by 60 per cent.

Commenting on recent speculation about the future of the Financial Times, Lord Gibson said that the newspaper was not for sale.

Mr. James Lee, Pearson Longman's executive deputy chairman, said that the group had completed a widespread analysis of Pearson Longman's main opportunities over the next ten years. "Business publishing came out as the most attractive opportunity," he said. "It is most unlikely that we would consider selling the jewel from the crown."

Publication of the newspaper in Frankfurt had always been seen as a long term project: 1980 was the nadir year in a five-year programme of development.

Circulation of the Frankfurt issue was at present less than had originally been planned, but the group was expecting to meet its targets by 1983. Mr. Lee added that the Frankfurt development had helped the Financial Times to increase its share of national newspaper advertising during 1980.

Elsewhere in Pearson Longman Penguin Books moved from a loss of £1.6m at the interim stage to a profit of £242,000 for the year. Lord Gibson said he expected Penguin to forge ahead in the future.

Longman would have shown a profits increase but for exceptional costs of £700,000. The company had done well in its African markets, and believed that it had increased its share of the educational market in the UK.

The group's dividend for the year is unchanged at 8.355p per share, at a cost of £3.5m. On a current cost basis, Pearson Longman's profit before tax is £6.1m, and its attributable earnings are £4.7m.

	1980	1979
	£000	£000
Turnover	226,219	200,257
Profit before tax	15,871	25,689
Financial Times	2,121	3,995
Westminster Press	6,093	13,404
Longman Hldgs.	7,836	8,437
Penguin	242	*381
Ladybird Books	952	1,024
Pearson L'gman less	1,573	811
Tax	†1,888	10,705
Net profit	13,983	14,984
Minorities	70	57
Extraord. credits	588	8
Dividends	3,468	3,466
Retained	11,175	11,563

* Loss: Holding in Viking Penguin Inc. increased from 22.2 to 52.4 per cent on September 10, 1979. † After £562,000 prior year tax credit (1979 £120,000 charge).

Roberts Adlard makes steady progress

A MODEST increase from £950,000 to £982,000 in pre-tax profits is reported by Roberts Adlard and Co., builders' merchant and allied services, for 1980. Turnover advanced by £300,000 to £13.9m. The final dividend is raised by 1p to 6p for a net total of 8p compared with 7p.

The board says there is no sign of any upturn in demand for the group's products and services at present, but despite the prevailing conditions, turnover remains satisfactory.

Profit margins are still under pressure, and the board is taking every prudent step to contain overheads. It is difficult to predict the outcome for 1981, but every effort will be made to maintain an acceptable level of profitability.

The pre-tax figure was struck after interest charges down from £13,000 to £12,000. After tax down from £404,000 to £58,000, stated earnings per 25p share are up from 22.73p to 37.68p, and before accounting for the prior year adjustment on deferred tax of £338,000 (£91,586): 23.62p (18.91p).

After deducting extraordinary items of £19,000 (nil), the retained profits are £713,000 compared with £378,000.

Retained reserves brought forward have been adjusted by £105,000 net of tax for prior year losses sustained on specific contracts at certain roofing branches.

A re-organisation of the roofing activities has been carried out, resulting in the closure of the Hastings and Romsey branches, and of Verity and Gardner, a subsidiary. Losses of £196,389 have been revealed relating directly to the previous year's activities, which have been treated as a prior year's adjustment.

The remaining roofing branches have performed extremely well, says the board, increasing their contribution to the trading profits.

The builders' merchants branches have continued to trade satisfactorily despite pressure on profit margins because of the persistent depressed level of building and construction activity. The Bromley North (Kent) showroom closed at the end of the year, as it was no longer viable in today's trading environment.

The historical pre-tax profits are reduced to £584,000 on a CCA basis.

Pref. repayment by KCA

KCA International is proposing to repay the 379,600 4.2 per cent (net) cumulative first preference shares at 68p per share in cash.

Resolutions to effect the repayment are to be put to KCA shareholders at meetings on May 28 following the AGM. The repayment is also subject to the Court sanction.

In the event of either the resolutions not being passed by shareholders or the Court not giving its approval, Charterhouse Japhet has undertaken to offer to purchase the first preference shares at 68p per share in cash.

Mr. Paul Bristol, chairman, tells shareholders in his annual report that, in order to achieve expansion and profit targets, it is important that its strategy is followed, and that the development of an oil finance house is continued so that all parts of KCA are independent and finance themselves.

It would be bad if KCA became overgeared, he says. Therefore it is policy that companies within the group and differing functionally and geographically should be floated off and listed on stock exchanges as appropriate.

He adds: "By this means, KCA can develop on a wider front than would be possible under a normal holding company structure where subsidiaries are 100 per cent owned. Indeed, it is expected that the ownership of majority interests in a number of quoted subsidiaries will prove a more valauable investment for the KCA International shareholder.

"Concerning the current year, trading has started buoyantly in all divisions, and there will also be a first-time contribution from the drillship in the second half," says Mr. Bristol.

13.2% fall at Co-op Bank

THE Co-operative Bank has reported a 13.2 per cent fall in operating profits to £5.42m for the year ended January 10, 1981.

The fall resulted principally from a sharp increase in the specific provisions charge from £1.82m to £3.13m, as well as from costs associated with the development of the bank's "Handycard" service.

A heavy capital expenditure programme has contributed to an increase in the depreciation charge from £1.45m to £2.17m while, following last year's floating rate note issue, the interest payable on subordinated loans has risen from £278,000 to £1.66m.

A release of deferred tax has, however, helped to produce a tax credit of £347,000 compared with a charge of £216,000 in the previous year. With minority charges well down as a result of the poor performance of the F. C. Finance subsidiary, net profits were down by only 3.3 per cent to £5.74m. Dividends absorbed £400,000 (nil).

The bank's chief general manager, Mr. Lewis Lee, said that he would be "more than astonished if there were no change in the current plan" for a windfall profits tax on bank earnings. Under the present arrangement, the bank's liability is not expected to exceed £4.95m.

YEARLINGS UP ¼%

The interest rate for this week's issue of local authority bonds is 12¼ per cent, up ¼ of a percentage point from last week. The bonds are issued at par and are redeemable on May 12, 1982.

A full list of issues will be published in tomorrow's edition.

RESULTS AND ACCOUNTS IN BRIEF

FIRMIN AND SONS (badges, buttons and military accoutrements maker)—Results for 1980 already known. Shareholders' funds £1.49m (£1.33m); fixed assets £703,000 (£456,000); net current assets £808,000 (£853,000), with bank, cash and short-term deposits £296,000 (£409,000) and bank overdrafts £93,000 (£140,000). Meeting, Birmingham, May 22, at 12.15 pm.

GREENBANK INDUSTRIAL HOLDINGS (engineer and property developer)—Results for 1980 reported April 9. Shareholders' funds £4.31m (£3.86m), fixed assets £2.45m (£2.92m), net current assets £1.91m (£1.75m), overdrafts and loans £334,542 (£568,306), bank balances and short-term investments £1.62m (£1.12m), customers' deposits with orders £15,000 (£76,012). Meeting, Blackburn, May 21 at 3.30 pm.

BRIDON (wire, wire rope, fibre rope and cordage products)—Results for 1980 and prospects reported April 3. Current assets £83.65m (£87.5m), including cash at bank and short-term deposits of £11.92m (£2.26m); current liabilities £32.45m (£54.66m), including bank loans and overdrafts of £5.89m (£18.67m). Fixed assets £36.13m (£42.95m). Shareholders' funds £90.37m (£88.9m). Meeting: Chartered Accountants Hall, Moorgate Place, EC, May 20, noon.

SHARPE AND FISHER (builders' merchant)—Results for 1980 reported March 20. Shareholders' funds £7.53m (£7.05m), net current assets £3.29m (£3.04m), bank overdraft £621,721 (£1.23m), short-term loans £810,000 (£585,000), bank and cash £8,291 (£5,312). Meeting, Cheltenham, May 20 at noon.

FORWARD TECHNOLOGY INDUSTRIES (maker of electronics, specialised machinery and plastic based products)—Results for 18 months to end December, 1980, and prospects already known. Shareholders' funds £9.78m (£8.43m). Loans £4.46m (£3.26m). Net current assets £6.11m (£4.66m). Meeting, London Press Centre, EC, May 22, noon.

G. R. JACKSON ASSOCIATES (computer services and software)—Results for 1980: Turnover £2.21m (£1.47m), pre-tax profit £131,175 (£111,424) including bank and short term interest of £40,433 (£8,924). Tax credit £57,669 (£32,055 charge), leaving net balance £189,044 (£79,369). Extraordinary debit £39,439 (£7,647). Earnings per share £223.9p (99.2p), adjusted earning 145.8p (138.3p). Company intends to maintain its rate of growth both internally and through further acquisitions in the UK and abroad. Blue Circle Industries owns 26.7 per cent of the issued share capital.

CHRISTIES INTERNATIONAL (auctioneers)—Results for 1980 reported on April 9. Shareholders' funds £14.93m (£12.36m); fixed assets £11.61m (£9.66m); net current assets £3.22m (£2.82m). Chairman says 1980 results were better than expected and he believed they may be difficult to match in 1981. Meeting, company office, St. James, SW1, May 19 at 3.00 pm.

THOMAS MARSHALL AND COMPANY (fireclay refractories manufacturer)—Results for 1980 reported April 18. Fixed assets £3.76m (£2.61m). Current assets £10.73m (£10.2m). Including cash £2,082 (£8,400). Current liabilities £5.89m (£5.46m), including bank overdraft £1.88m (£1.17m). Shareholders' funds £7.15m (£6.64m). Meeting: Sheffield, May 21, noon

C. D. BRAMALL (motor vehicle dealer)—Results for year to end-December 1980 already known. Shareholders funds £7.44m (£5.24m); fixed assets £7.46m (£4.83m); net current assets £840,004 (£1.76m), including bank overdraft, £921,755 (£2.18m) and creditors, £2.27m (£1.99m). Bank and cash balances £3,142 (£287,526). CCA pre-tax profits £961,000. Meeting, Bradford, May 22, noon.

ANCHOR CHEMICAL GROUP (chemicals and plastics)—Results for 1980 and prospects reported April 22. Shareholders' funds £2.2m (£2.43m). Fixed assets £1.72m (£1.28m). Net current assets £571,963 (£945,906). Meeting, Manchester, May 18, 11.30 am.

CHARTERHOUSE PETROLEUM (oil subsidiary of the Charterhouse Group)—Results for 1980: Turnover £14.52m (£7.18m), pre-tax profits £9.1m (£1.58m)—£8.6m was forecast at the time of the offer for sale. PRT took £2.53m (£838,000) and corporation tax £3.53m (£481,000), leaving a net balance of £3.04m (£259,000). Attributable profit £3.46m (£955,000). Stated earnings per share 3.8p (£3.3p forecast).

The company was floated in August last year.

BREEDON AND CLOUD HILL LIME WORKS—Results for year to January 31, 1981, already known. Shareholders' funds £2.51m (£2.31m). Net current assets £896,871 (£794,804). Cash £417,302 (£533,657). Fixed assets £1.38m (£1.29m). Meeting, Breedon-on-the-Hill, May 22, 11 am.

QUEENS MOAT HOUSES (hotelier, restaurateur and caterer)—Results for 1980 already known. Shareholders' funds £12.77m (£10.19m); fixed assets £18.55m (£14.47m); current assets £4.47m (£1.41m), including bank balances and cash £2.65m (£244,000); current liabilities £2.82m (£2.59m). Capital commitments £1.95m (£709,000) of which £122,000 were contracted and £1.82m authorised. On CCA basis historical pre-tax profit of £972,530 (£682,214) is reduced marginally to £970,000 (£680,000). Meeting: Shepperton Moat House, Shepperton, Middx, May 28, noon.

PLANTATION AND GENERAL INVESTMENTS—Results for 1980 already known. Shareholders' funds £824,301 (£757,841). Fixed assets £28,637 (£28,745). Net current assets £252,482 (£292,285). Meeting, Great Eastern Hotel, EC, May 22 at noon.

ALBANY INVESTMENT TRUST—Net revenue for year ended February 28, 1981 £110,280 (£105,861) after tax £53,030 (£52,332). Final dividend 1.4p net making 2p (1.92p including special 0.27p). Net asset value per 20p share 5.7p (48.32p).

THAMES INVESTMENT AND SECURITIES—Turnover half year to Nov. 30, 1980 £378,000 (£588,000). Profit £17,000 (loss £10,000). Subject to tax £9,000 (£8,000). Earnings 0.45p (loss 1.47p) per share. Directors see no reason to believe that forecast profit of not less than £300,00 for the year will not be achieved. Company involved in negotiations relating to residential interests and expects to make announcement within next two weeks.

BIFURCATED ENGINEERING—Results for 1980 reported April 9 with comments on prospects. Shareholders' funds £6.2m (£6.12m). Fixed assets £3.58m (£3.29m). Net current assets £3.51m (£3.71m). Meeting, Aylesbury, Bucks, May 21, noon.

JERMYN INVESTMENT COMPANY (property development and investment)—Pre-tax profits for year to November 15, 1980 £34,307 (£31,231). Tax £12,636 (£13,415); extraordinary credit £15,316 (nil). Earnings per 25p share 2.17p (1.78p) and net dividend 1.625p (same).

J. B. HOLDINGS (construction and mechanical engineer)—Results for 1980 reported April 3. CCA pre-tax profit £1.4m. Shareholders' funds £14.18m (£8.94m); fixed assets £7.22m (£5.7m); net current assets £9.52m (£8m). Net cash position is £2.55m (overdraft £1.54m). Directors expect 1981 to be a difficult year with UK public expenditure on capital projects curtailed and the continued strength of the pound limiting exports. But the group is operating from a strong financial base and will be able to take full advantage of any improvement in trading conditions. Meeting, Charing Cross Hotel, WC, on June 3, at noon.

SOLICITORS' LAW STATIONERY SOCIETY—Results for 1980 and prospects already reported. CCA pre-tax losses £1.07m (£164,000) against historical loss £530,000 (£408,000 profit). Shareholders' funds £2.8m (£3.56m). Fixed assets £3.72m (£4.33m). Net current liabilities £100,738 (£861,849 assets). Meeting, Great Eastern Hotel, EC, May 27, noon.

HOUSE PROPERTY COMPANY OF LONDON—For 1980 net profit £27,243 (£21,614) after tax of £9,122 (£18,308). Surplus on sale of properties £42,867 (£85,354). Earnings per 50p share 2.73p (2.18p). Final net dividend 3.5p making 4.5p (same).

JOHN MENZIES (HOLDINGS) (newsagent, stationer and bookseller)—Results for year ended January 31, 1981, and prospects reported April 23. Shareholders' funds £32.56m (£28.49m). Loan £4.41m (£3m). Current assets £51.35m (£42.89m) including bank and short-term deposits £8.54m (£4.48m). Current liabilities £42.76m (£34.73m) including bank overdraft £0.46m (£1.05m). Meeting, Edinburgh, May 27, 12.15 pm.

Companies and Markets

CURRENCIES, MONEY and GOLD

$ very firm

Dollar continued to advance as a result of the sharp rise in U.S. interest rates. Market sources suggested that the rise in bank prime lending rates to 19 per cent, so soon after the ½ per cent increase to 18 per cent, and the 1 per cent rise in the Federal Reserve discount rate to 14 per cent, caught some operators off guard, leading to heavy buying of the dollar in North America and Europe. Central banks in Canada and several European centres were forced to intervene to support their currencies. The German authorities sold dollars at the Frankfurt fixing, and were also reported to be very active in the open market.

Sterling improved against European currencies but weakened further against the dollar, falling to the lowest level for 18 months.

European currencies lost ground against the dollar, while the French franc also declined within the European Monetary System on interest rate and election considerations.

DOLLAR—trade-weighted index (Bank of England) rose to 105.2 from 103.3. The U.S. currency improved to DM 2.2655 against the D-mark from DM 2.2525 in New York on Monday, and DM 2.2055 in London on Friday. It also rose to SwFr 2.0675 in terms of the Swiss franc, from SwFr 2.0170 on Friday, and to Y217.75 against the yen, from Y215.70 on Friday, and Y217.28 in New York Monday.

STERLING — trade-weighted index (Bank of England) rose to 99.0 from 98.8, after opening at 98.7, but rising to 99.2 at noon. The pound opened at $2.1000-2.1010, the lowest level of the day, and touched a peak $2.1165-2.1175, before closing at $2.1125-2.1135, a fall of 3.10 cents from Friday, but an improvement from $2.1118 in New York on Monday.

D-MARK—Strongest member of the European Monetary System and maintaining its position despite a weaker tendency in German interest rates over the past few weeks. This has caused the D-mark to lose ground against the dollar however, while U.S. rates remained firm. Recent trade figures from the U.S. and Germany have also tended to work in favour of the dollar, but tension over Poland is less of a market factor—The D-mark was firmer against most of its EMS partners at the Frankfurt fixing, but weakened against the dollar and sterling. The Bundesbank sold $15.05m when the dollar rose to DM 2.2695 from DM 2.2403 at the fixing, the highest level since October 21, 1977. The sharp rise in U.S. interest rates was behind the appreciation of the dollar, leading to speculation about a possible increase in the Bundesbank special Lombard rate, but this remains open today at an unchanged level of 12 per cent. Sterling rose to DM 4.7950 from DM 4.7420.

FRENCH FRANC—Showing a weaker trend despite the steadiness of Paris interest rates. The franc's decline reflects the upward move in U.S. interest rates, and nervousness about a possible socialist victory in the second round of the Presidential election—The franc was very weak at the Paris fixing under the pressure of rising U.S. interest rates and fears over the result of next Sunday's election. The dollar rose to FFr 5.4070 from FFr 5.3265 and sterling to FFr 11.4340 from FFr 11.2810. The D-mark remained comfortably below its EMS ceiling of FFr 2.4093 against the franc, but rose to a record of FFr 2.3850, and was fixed at FFr 2.3845, compared with FFr 2.3770 on Monday. Conditions were described as fairly nervous, with the dollar rising to its highest level for 10 years.

THE POUND SPOT AND FORWARD

May 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.1000-2.1175	2.1125-2.1135	1.40-1.50c dis	−8.23	3.95-4.05dis	−7.57
Canada	2.5270-2.5460	2.5400-2.5410	1.25-1.35c dis	−6.14	3.70-3.90dis	−5.98
Nethlnd.	5.29½-5.33½	5.32¾-5.33¾	1¼-¾c pm	1.41	2-1 pm	1.13
Belgium	77.75-78.40	78.00-78.10	40-50c dis	−6.92	115-130dis	−6.28
Denmark	15.02-15.12	15.07¾-15.08¾	7-8¾ore dis	−6.07	7⅞-10⅛dis	−2.42
Ireland	1.2940-1.3120	1.3105-1.3115	0.41-0.58p dis	−4.53	1.12-1.38dis	−3.78
W. Ger.	4.77-4.80½	4.78½-4.79½	par-½pf dis	−0.63	¾-1¼ dis	−0.83
Portugal	124.55-127.45	126.95-127.15	40-115c dis	−7.32	145-315dis	−7.24
Spain	189.00-193.05	192.40-192.60	85-115c dis	−6.23	325-385dis	−7.38
Italy	2372½-2389	2385½-2386½	15½-17½lire dis	−8.30	44-47dis	−7.63
Norway	11.85-11.90½	11.87½-11.88½	1½ore pm-1 dis	0.25	2¾-¼ pm	0.84
France	11.36-11.44¾	11.41½-11.42½	⅞-1⅞c dis	−1.44	3½-4½dis	−1.40
Sweden	10.24½-10.33	10.26¾-10.27¾	2⅞-4½ore dis	−4.23	10½-11½dis	−4.23
Japan	458½-462	459½-460½	2.50-2.00y pm	5.87	5.80-5.20 pm	4.78
Austria	33.68-33.93	33.88-33.93	3gro pm-4dis	−0.18	5 pm-5dis	—
Switz.	4.34½-4.38½	4.36-4.37	1¾-¾c pm	3.44	4-3 pm	3.21

Belgian rate is for convertible francs. Financial franc 80.55-80.65. Six-month forward dollar 6.95-7.05c dis, 12-month 10.50-10.80c dis. May 1 Switz. 4.32-4.33 (close).

THE DOLLAR SPOT AND FORWARD

May 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.1000-2.1175	2.1125-2.1135	1.40-1.50c dis	−8.23	3.95-4.05dis	−7.57
Ireland†	1.6100-1.6140	1.6120-1.6140	0.45-0.60c dis	−3.90	1.45-1.65dis	−3.84
Canada	1.2020-1.2034	1.2031-1.2034	0.14-0.07c pm	1.05	0.25-0.18 pm	0.71
Nethlnd.	2.5175-2.5250	2.5195-2.5205	1.95-1.85c pm	9.05	5.05-4.95 pm	7.94
Belgium	36.84-37.04½	36.94-36.98	6-2c pm	1.30	17-12 pm	1.57
Denmark	7.1385-7.1490	7.1385-1.1400	4-3½ore pm	6.30	9-8½ pm	4.90
W. Ger.	2.2630-2.2750	2.2650-2.2660	1.46-1.40pf pm	7.57	3.80-3.74 pm	6.66
Portugal	60.05-60.30	60.10-60.25	20c pm-10 dis	1.00	40 pm-35dis	0.17
Spain	91.03-91.15	91.10-91.16	5.15c dis	−1.32	15-35dis	−1.10
Italy	1129-1130¼	1129-1130	par-½ lire dis	−0.28	¼-1¼dis	−0.25
Norway	5.6145-5.6270	5.6210-5.6230	4.20-3.70ore pm	8.43	11¼-11 pm	8.00
France	5.4020-5.4150	5.4070-5.4080	2.20-2.00c pm	4.66	5.85-5.55 pm	4.22
Sweden	4.9600-4.9670	4.9640-4.9655	1.40-1.20ore pm	3.21	3.60-3.40 pm	2.88
Japan	217.70-218.50	217.70-217.80	2.65-2.45y pm	14.05	6.75-6.55 pm	12.21
Austria	16.03-16.05	16.04-16.05	10½-9¼gro pm	7.38	28-24 pm	6.48
Switz.	2.0690-2.0725	2.0670-2.0680	1.99-1.89c pm	11.26	5.35-5.25 pm	10.25

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

May 5	Bank of England Index	Morgan Guaranty Changes%
Sterling	99.0	−26.7
U.S. dollar	105.2	−0.3
Canadian dollar	86.5	−17.9
Austrian schilling	115.5	+22.0
Belgian franc	107.0	+9.5
Danish kroner	87.1	−11.7
Deutsche mark	118.5	+39.1
Swiss franc	131.5	+75.6
Guilder	109.9	+14.5
French franc	83.9	−11.3
Lira	58.4	−55.3
Yen	144.1	+39.0

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

May 4	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	12	(U)	N/A
U.S. $	13	1.19019	"
Canadian $	17.60	1.42894	"
Austria Sch.	6¾	18.8455	"
Belgium F.	14	43.4419	"
Danish K.	11	8.39917	"
D mark	7½	2.66638	"
Guilder	9	2.96595	"
French Fr.	9½	6.33954	"
Lira	19	1325.87	"
Yen	5¼	(U)	"
Norwgn. Kr.	9	6.67459	"
Spanish Pts.	8	107.252	"
Swedish Kr.	12	5.72005	"
Swiss Fr.	4	2.43180	"
Greek Dr'ch.	20½	—	"

OTHER CURRENCIES

May 5	£	$		£ Note Rates
Argentina Peso	6681-6701	3166-3176	Austria	33.65-34.00
Australia Dollar	1.8450-1.8470	0.8755-0.8760	Belgium	80.40-81.20
Brazil Cruzeiro	174.07-175.07	82.53-82.94	Denmark	14.95-15.10
Finland Markka	9.004-9.019	4.2720-4.2730	France	11.37-11.45
Greek Drachma	114.852-117.849	55.15-55.25	Germany	4.78-4.82
Hong Kong Dollar	11.45½-11.47½	5.4325-5.4355	Italy	2330-2395
Iran Rial	164.20*	76.55*	Japan	459-465
Kuwait Dinar (KD)	0.581-0.587	0.2758-0.2773	Netherlands	5.29½-5.33½
Luxembourg Frs.	78.00-78.10	36.94-36.96	Norway	11.84-11.96
Malaysia Dollar	4.9075-4.9300	2.5285-2.3305	Portugal	125-132
New Zealand Dlr	2.3716-2.3735	1.1225-1.1235	Spain	186½-196½
Saudi Arab. Riyal	7.06-7.12	3.3600-3.3620	Sweden	10.27-10.37
Singapore Dollar	4.5120-4.5840	2.1405-2.1425	Switzerland	4.35-4.39
Sth African Rand	1.7515-1.7525	0.8290-0.8295	United States	2.10¾-2.12¼
U.A.E. Dirham	7.72-7.78	3.6720-3.6740	Yugoslavia	78-82½

Rate given for Argentina is free rate. * Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU May 5	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	40.7985	41.4630	+1.63	+1.34	±1.5361
Danish Krone	7.91917	8.00428	+1.07	+0.78	±1.6413
German D-Mark	2.54502	2.54063	−0.17	−0.46	±1.1386
French Franc	5.99526	6.05877	+1.06	+0.77	±1.3638
Dutch Guilder	2.81318	2.82336	+0.36	+0.07	±1.5159
Irish Punt	0.685145	0.694827	+1.41	+1.12	±1.6688
Italian Lira	1262.92	1264.16	+0.10	−0.19	±4.1116

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

May 1	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.113	4.790	460.0	11.42	4.365	5.328	2386.	2.541	78.05
U.S. Dollar	0.473	1.	2.267	217.7	5.405	2.066	2.521	1129.	1.202	36.94
Deutschemark	0.209	0.441	1.	96.03	2.384	0.911	1.112	498.1	0.530	16.29
Japanese Yen 1,000	2.174	4.593	10.41	1000.	24.83	9.489	11.58	5186.	5.523	169.7
French Franc 10	0.876	1.850	4.194	402.8	10.	3.822	4.665	2089.	2.225	68.35
Swiss Franc	0.229	0.484	1.097	105.4	2.616	1.	1.221	546.5	0.582	17.88
Dutch Guilder	0.188	0.397	0.899	86.34	2.144	0.819	1.	447.8	0.477	14.65
Italian Lira 1,000	0.419	0.886	2.008	192.8	4.787	1.830	2.233	1000.	1.065	32.72
Canadian Dollar	0.394	0.832	1.886	181.1	4.495	1.718	2.097	939.1	1.	30.72
Belgian Franc 100	1.281	2.707	6.137	589.4	14.63	5.593	6.826	3057.	3.255	1.00

FT LONDON INTERBANK FIXING (11.00 a.m. MAY 5)

3 months U.S. dollars		6 months U.S. dollars	
bid 20 1/8	offer 20 1/4	bid 19 1/2	offer 19 5/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

May 1	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	11⅝-⅞	19-19¼	17½-18½	10¼-10½	8½-8¾	10⅝-10⅞	13-14	18-19½	16-18	6¾-7¼
7 days' notice	12⅛-12⅜	19¼-19½	17½-18½	10¼-10½	8½-8¾	11⅞-12⅛	13-14	19½-21	16-18	6½-7
Month	12½-12⅝	19$\frac{5}{16}$-19$\frac{7}{16}$	18¼-18⅝	11$\frac{1}{16}$-11⅜	9$\frac{1}{16}$-9$\frac{5}{16}$	12¾-12⅞	14⅞-15⅜	19¾-20½	17¾-18¾	6¾-7
Three months	12$\frac{9}{16}$-12¾	20-20¼	18⅜-18¾	11$\frac{11}{16}$-11⅞	9⅝-9¾	13⅛-13¼	15⅛-15⅝	20¼-21	18-19	7$\frac{1}{16}$-7$\frac{5}{16}$
Six months	12$\frac{7}{16}$-12$\frac{11}{16}$	19⅜-19⅝	18⅜-18¾	11⅞-12$\frac{1}{16}$	9$\frac{7}{16}$-9$\frac{11}{16}$	13-13⅛	15⅛-15⅝	21-21¾	17½-18½	8$\frac{5}{16}$-8$\frac{9}{16}$
One Year	12¾-12$\frac{15}{16}$	18⅜-18⅝	17⅝-18	11⅞-12$\frac{1}{16}$	9$\frac{3}{16}$-9$\frac{7}{16}$	12$\frac{11}{16}$-12$\frac{13}{16}$	15⅛-15⅝	20-20¾	17-18	8-8⅛

SDR linked deposits: one-month 15$\frac{7}{16}$-15$\frac{11}{16}$ per cent; three-months 15¾-16 per cent; six-months 15$\frac{7}{16}$-15$\frac{11}{16}$ per cent; one-year 14$\frac{13}{16}$-15$\frac{1}{16}$ per cent.

ECU linked deposits: one-month 13$\frac{15}{16}$-14$\frac{3}{16}$ per cent; three-months 14$\frac{9}{16}$-14$\frac{11}{16}$ per cent; six-months 14¼-14⅝ per cent; one-year 14$\frac{5}{16}$-14$\frac{7}{16}$ per cent.

Asian $ (closing rates in Singapore): one-month 19¾-20 per cent; three-months 20-20⅛ per cent; six-months 19¾-20 per cent; one-year 18⅝-18⅞ per cent.

Long-term Eurodollar two-years 17-17½ per cent; three-years 16¾-17¼ per cent; four-years 16½-17 per cent; five-years 16½-17 per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 19.40-19.50 per cent; three-months 19.40-19.50 per cent; six-months 19.20-19.30 per cent; one-year 18.20-18.30 per cent.

INTERNATIONAL MONEY MARKET

European rates firm

Interest rates were firmer in Europe yesterday. Call money in Frankfurt was little changed but this reflected increased borrowing through the Lombard facility. Loans through the special 12 per cent facility totalled over DM 5bn on Monday while call money was quoted at 12-12.10 per cent compared with 11.90-12 per cent on Monday. Forward rates tended to reflect the sharp rise in U.S. interest rate over the weekend and the market was tense ahead of Thursday's meeting of the Bundesbank central council meeting.

In Rome the Bank of Italy re-offered L300bn of three-year floating rate Treasury certificates following an earlier offer which was heavily under-subscribed.

In Paris the Bank of France increased its money market intervention rate to 13½ per cent from 12½ per cent, this being the rate at which it discounts seven-day Treasury bills. Market sources suggested that this was the official reaction to the French franc's sharp decline both within the European Monetary Sysem and against the U.S. dollar as a result of higher interest rates and tension over the French Presidential election.

MONEY RATES

NEW YORK

Prime Rate	19
Fed. Fund	18¾-19¼
Treasury Bill (13-week)	16.92
Treasury Bills (26-week)	15.95

GERMANY

Special Lombard	12.5
Overnight Rate	12.05
One month	13.50
Three months	13.75
Six months	13.60

FRANCE

Intervention Rate	13.5
Overnight Rate	12.25
One month	13.4375
Three months	13.9875
Six months	13.6875

JAPAN

Discount Rate	6.25
Call (Unconditional)	7.0625
Bill Discount (three-month)	—

UK MONEY MARKET

Firmer rates

Bank of England Minimum Lending Rate 12 per cent (from March 10, 1981)

Interest rates were firmer in the London money market yesterday, reflecting recent predictions of a continued downturn in the UK economy coupled with the recent rise in U.S. interest rates. Sterling CD's were quoted at 12$\frac{13}{16}$-12$\frac{7}{16}$ per cent compared with 12¼-12⅜ per cent on Friday for three-months while three-month interbank money rose to 12$\frac{7}{16}$-12$\frac{9}{16}$ per cent from 12⅜-12½ per cent.

In the money market funds were in good supply but the authorities did not intervene. The market was helped by a large excess of Government disbursements over revenue transfers to the Exchequer and a small decrease in the note circulation. In addition banks brought forward balances a small way above target. On the other hand there was a moderate amount of bills maturing in official hands.

GOLD

Weaker trend

Gold showed little movement in the London bullion market yesterday, with no sign of heavy selling despite the upward trend in U.S. interest rates. The metal opened at $476-479, and closed at $475-478, a fall of $13 from Friday. The decline in gold's value took place in Far East markets between the close of New York and opening of London trading, following the news from the U.S. on interest rates.

In Paris the 12½ kilo gold bar was fixed at FFr 87,000 per kilo ($500.46 per ounce) in the afternoon, compared with FFr 89,000 ($511.67) in the morning, and FFr 89,000 ($519.70) Monday afternoon.

	May 5		May 1	
Gold Bullion (fine ounce)				
Close	$475-478	(£225¼-226¾)	$488-491	(£228¼-230)
Opening	$476-479	(£226¼-227¾)	$484-487	(£226½-228)
Morning fixing	$476.75	(£225.627)	$484.75	(£226.254)
Afternoon fixing	$476.25	(£225.390)	$487.50	(£227.273)
Gold Coins				
Krugerrand	$495½-490½	(£232¼-233)	$502½-503½	(£234½-235)
1/2 Krugerrand	$253-254	(£120-120½)	$259½-260½	(£121¼-121½)
1/4 Krugerrand	$129-130	(£61-61½)	$132¼-133¼	(£61¾-62¼)
1/10 Krugerrand	$52¾-53¾	(£25-25½)	$54-55	(£25¼-25¾)
Mapleleaf	$486-487	(£230½-231)	$498½-499½	(£232¾-233¼)
New Sovereigns	$119-120	(£56½-57)	$122¼-123¼	(£57-57½)
King Sovereigns	$132-134	(£62½-63½)	$135½-138½	(£63½-64½)
Victoria Sovs.	$132-134	(£62½-63½)	$135½-138½	(£63½-64½)
French 20s	$191-194	(£90½-92)	$184-187	(£86-87½)
50 pesos Mexico	$590-595	(£279¾-282)	$593-597	(£276¼-278¼)
100 Cor. Austria	$460-464	(£218-220)	$461-466	(£214¾-217¼)
$20 Eagles	$573-578	(£271¾-274)	$583-588	(£271¾-274)

LONDON MONEY RATES

May 5 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	8-12⅜	12-12¼	—	—	11-12	8-11¼	—	—	—
2 days notice	—	—	12⅜-12⅝	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	11¾-12⅛	12⅜-12½	—	12½	12⅜-12⅝	11⅜-11⅝	—	—	—
One month	12$\frac{5}{16}$-12⅛	12⅜-12⅝	12⅜-12½	13⅜-13	12⅞	12⅞-13	11⅝-11¾	11$\frac{13}{16}$-11½	11$\frac{13}{16}$-11⅞	12¾
Two months	12$\frac{7}{16}$-12¼	12⅜-12⅝	—	13⅛-12¾	12⅞	12⅞-13	11⅝-11¾	11$\frac{13}{16}$-11$\frac{11}{16}$	11¾	12⅝
Three months	12$\frac{9}{16}$-12½	12$\frac{7}{16}$-12$\frac{9}{16}$	12⅜-12½	13-12⅝	12⅞	12⅞-13	11⅝-11¾	11$\frac{9}{16}$-11⅝	11$\frac{11}{16}$	12$\frac{7}{16}$
Six months	12$\frac{5}{16}$-12$\frac{7}{16}$	12$\frac{5}{16}$-12$\frac{9}{16}$	12¼-12½	12⅞-12½	12⅞	13	—	—	11⅝-11$\frac{7}{16}$	11⅞
Nine months	12$\frac{5}{16}$-12$\frac{7}{16}$	12$\frac{5}{16}$-12¾	—	13-12⅝	12⅞	13⅛	—	—	—	—
One year	12$\frac{5}{16}$-12$\frac{7}{16}$	12$\frac{5}{16}$-12¾	12½-12$\frac{7}{16}$	12¾-12½	12⅞	13⅛	—	—	—	—
Two years	—	—	13	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 13-13½ per cent; four years 13-13¼ per cent; five years 13¼-13½ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 11$\frac{9}{16}$-11⅝ per cent; four-months trade bills 12⅛ per cent.

Approximate selling rate for one-month Treasury bills 11$\frac{11}{32}$-11$\frac{7}{32}$ per cent; two-months 11$\frac{9}{32}$-11$\frac{7}{32}$ per cent; three-months 11¼ per cent. Approximate selling rate for one-month bank bills 11$\frac{23}{32}$-11¾ per cent; two-months 11⅝ per cent; three-months 11$\frac{9}{16}$-11⅝ per cent; one-month trade bills 12½ per cent; two-months 12⅜ per cent and three-months 12$\frac{5}{16}$ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 13 per cent from May 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 9 per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rates of discount 11.2851 per cent.

Krugerrands earned South Africa almost $2bn in foreign currency last year, reports **Bernard Simon** in Johannesburg

How South Africa sells the 'money you can trust'

MANY South African exporters choose to keep a low profile in their foreign markets for fear of becoming the targets of hostile political groups. Some disguise the origin of their products while others vary brand names from country to country.

A notable exception is the International Gold Corporation (Intergold), the Johannesburg-based company which markets Krugerrand gold coins.

Intergold positively flaunts the South African origin of its products, which are named after Paul Kruger, the puritanical late 19th-century president of the Transvaal Republic. It has no hesitation in mentioning their origin in advertisements, and the words "South Africa" are stamped on each coin. Indeed, market research suggests that buyers prefer positive proof that their purchases come from the world's leading gold producer.

Krugerrands have, in fact, been among South Africa's greatest export successes. Intergold sold its 30-millionth coin *late last year. Krugerrands* have accounted for the bulk of world gold coin sales, and they have also accounted for between 13 and 27 *per cent of South* Africa's gold output.

Mr. Don Mackay-Coghill, Intergold's chief executive, shrugs off the political protests against Krugerrand sales in the U.S. and Europe. "Although we don't like bad publicity, a lot of the protests have heightened awareness of the coin," he says, pointing out that gold coin enthusiasts tend in any case to be political conservatives.

To prove the ineffectiveness of the anti-apartheid protests, Mr. Mackay-Coghill cites the ban on Krugerrand advertisements imposed by the major American TV networks four years ago. Since then, the U.S. has overtaken West Germany as the largest market for Krugerrands. It now accounts for over half total sales.

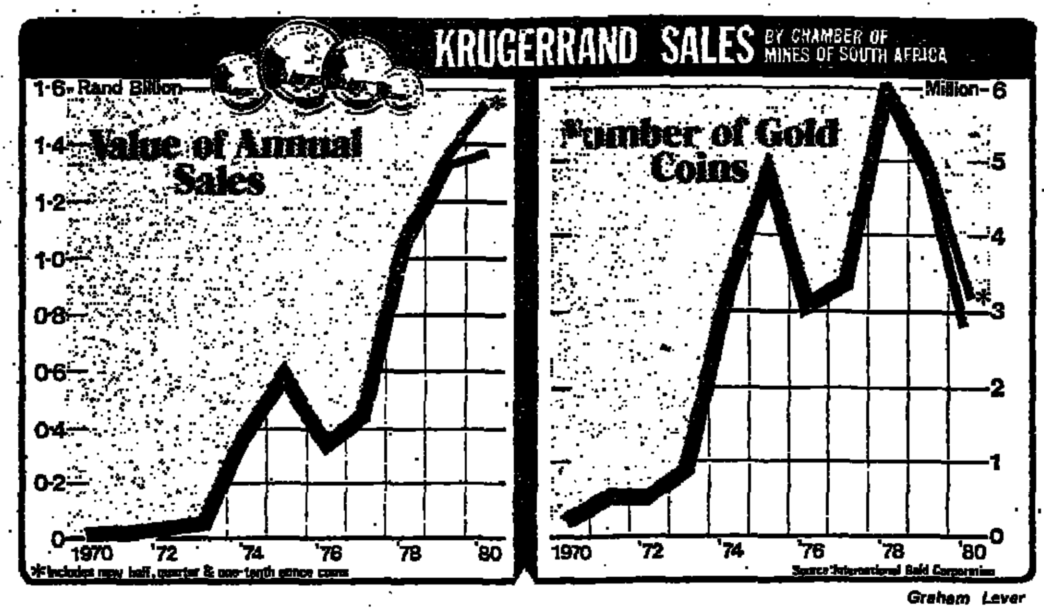
Intergold is a subsidiary of the South African Chamber of Mines, whose members include all the country's major mining houses. The chamber's policy-making body, the Gold Producers Committee, also acts as Intergold's Board of Directors.

The Chamber of Mines itself has a reputation as a rather slow-moving organisation, taking action only when there is agreement among all its members. As a marketing company however, Intergold has to have the freedom to move rapidly. "We do have the necessary flexibility," Mr. Mackay-Coghill says: "The mining industry has set out broad policy guidelines within which Intergold can operate."

Marketing Krugerrands is only one part of the company's brief. Its broad function is to promote all end-uses of gold with the aim of keeping the *largest possible quantity off the* market, thereby (hopefully) ensuring that demand always exceeds supply and that the price of South Africa's main export earner continues to rise.

Besides selling Krugerrands, Intergold promotes gold's uses in jewellery and in industrial applications. Its 1981 budget totals R38m (£21m) of which R11m is earmarked for Krugerrand promotion. The aim of *keeping gold off the market and* in the hands of long-term investors was one of the major reasons for the mining industry's decision in the 1960s to launch a gold coin. The move was given added impetus by efforts by the U.S. Government to reduce gold's role in the international monetary system.

The South African Government had insufficient political clout to counter the demonetisation of gold. As one countermeasure the mining industry was given a mandate to start selling coins. "If we could get *gold into the hands of the man-in-the-street,* every coin he bought would be a vote for gold," Mr. Mackay-Coghill argues.



Graham Lever

Partly for this reason, it was decided that Krugerrands should be legal tender, rather than mere medallions. "The Krugerrand's money you can trust," is the way Intergold's advertisements put it.

The broad aims of stabilising the gold market and promoting the monetary role of gold were certainly more important than making a profit in the initial stages of the Krugerrand campaign. Intergold sells one-ounce coins at a premium of 3 per cent above the average of the two previous London gold fixings. This did not add up to much in the early days of the coin when the gold price stood at $35 an ounce.

But more recently, Krugerrands have become a big money spinner for the mines, among which revenue from the coins is distributed. With gold at $500 an ounce, the premium on each 1 oz coin is $15. The *mining industry's commission*—or premium — on the "mini-Krugerrands," introduced last September, is substantially higher — 5, 7 and 9 per cent respectively on the half-ounce, quarter-ounce, and one-tenth-ounce coins.

Intergold refuses to disclose profits on Krugerrand sales. But assuming it sold its coins during 1980 at the average *London price of $613 an ounce,* premium income would have been not far below $100m.

South Africa's foreign ex*change earnings from Kruger*rands totalled almost $2bn last year.

Intergold is not a retail organisation. It sells Krugerrands to 15 "primary distributors," which include most of the world's leading gold trading houses, mainly banks and precious metal dealers. Besides their authority in the gold market, the distributors are in touch with investors, whole*salers and retailers in* their respective countries.

Intergold's presence is limited to 10 branch offices, mainly in *the U.S. and Europe, which co*ordinate marketing strategy and advertising campaigns. The company will shortly open a new office in Tokyo, and another in Toronto later this year. It plans to open one in South America (probably Argentina) in 1982.

The primary distributors are in little danger of suffering heavy losses in the event of the *gold price falling between the* time they buy coins from Intergold and deliver to retailers (such as stockbrokers or smaller banks) or direct customers. Most hedge their purchases by selling forward on futures markets an equivalent amount of gold bullion at the same price at which they bought the coins. The distributor is therefore only at risk to the extent of the small premium he pays above the gold price.

"Without the hedging operation we could never have moved as many coins as we have," Mr. Kerr Cruickshanks, Intergold's coin manager, says. "It's partly because of the hedging necessity that we limit primary distribu*tion to the big financial* muscle."

Intergold also insists that its primary distributors have the financial resources to stockpile large quantities of Krugerrands. It encourages a two-way trade in coins between distributors, retailers and consumers, and expects distributors to buy back any coins they are offered when the market is difficult, as it was in early 1980 when the gold price shot above $800 an ounce. Dealers sat on substantial stocks of coins throughout 1980, but inventory levels have declined in recent months as sales, especially in Europe, have picked up.

The advantage of a weak market, however, is that the premium above the ruling gold price falls, enabling distributors to buy in coins at lower premiums than they sold them.

Last *year—particularly the* early months—was a difficult period for South African gold coin sales. The high bullion price at the beginning of the year knocked sales of gold coins and jewellery hard. Krugerrand sales were down to 6,000 coins worldwide in February. *The gradual down*ward drift in the gold market in the past six months has also not favoured demand for coins, which is usually high during short, sharp price fluctuations.

Total Krugerrand sales dropped from 4.9m ounces in 1979 to 3.2m last year (Intergold's revenue rose by 15 per cent, however. "One must see sales in terms of money spent," Mr. Mackay-Coghill argues.)

A major blow was the introduction in January 1980 of a 12 per cent value-added tax on gold coins in West Germany, Intergold's second largest market. (Taxes in several countries on medallions, but not coins, had been an important reason for the decision to make Krugerrands legal tender.) As a result, hardly any coins were sold in Germany during the first half of 1980 and sales for the year as a whole were about a third of 1979.

The Krugerrand has faced growing competition from other gold coins, notably the Canadian maple leaf, Mexican gold peso and the Russian chervonets. The Mexican coin's share of the U.S. market at one point reached almost 15 per cent. The Kruggerand's share of worldwide new gold coin sales has dropped from 90 per cent about three years ago to between 70 and 75 per cent today. At the worse point, its share in mid-1980 was down to 50-55 per cent.

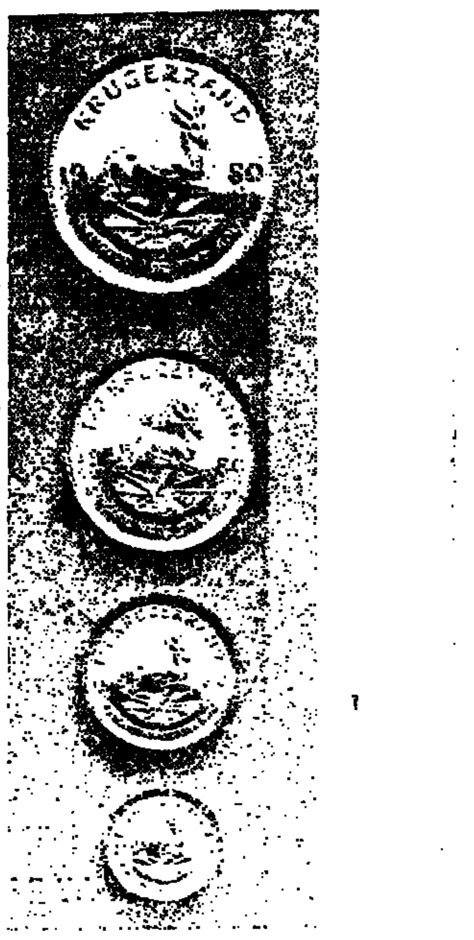
The high cost of one ounce coins and mounting competition prompted Intergold to launch the half, quarter and one-tenth ounce kruggerands last September, despite some criticism that its range of coins was becoming confusingly wide.

The new coins have had a mixed reception. The small, one-tenth ounce Krugerrand has sold well, with offtake reaching 1.1m coins by the end of March.

Over 60 per cent of these coins have been sold in Japan, where Krugerrands were launched in mid-1980. Until last month, the one-tenth denomination was the only one of the four not subject to Japan's 15 per cent luxury tax on articles worth more than Y25,000. The threshold for the tax has recently been lifted to Y37,500, high enough to cover the quarter-ounce coins at current bullion prices. These coins are also now on sale in Japan.

The smallest Krugerrand is a popular jewellery and gift item, for cufflinks, bracelets, etc. Intergold will also shortly launch a "coin a month" savings campaign in several markets. Investors will be encouraged to buy a one-tenth *ounce coin each month, and to* hold on to it.

Demand for the half-ounce and quarter-ounce Krugerrands has been less encouraging, although Mr. Mackay-Coghill says that



The Intergold range

"at no stage did we think we would sell millions of them." Some 320,000 half-ounce coins have been sold since September, over a third of them in the first few weeks of the campaign.

But there are no plans to withdraw any of the mini-Krugerrands. Besides giving buyers a wider choice and Intergold a higher premium, Intergold is confident that they act as a catalyst for interest in the original one-ounce coin, *which remains the cornerstone* of its sales strategy.

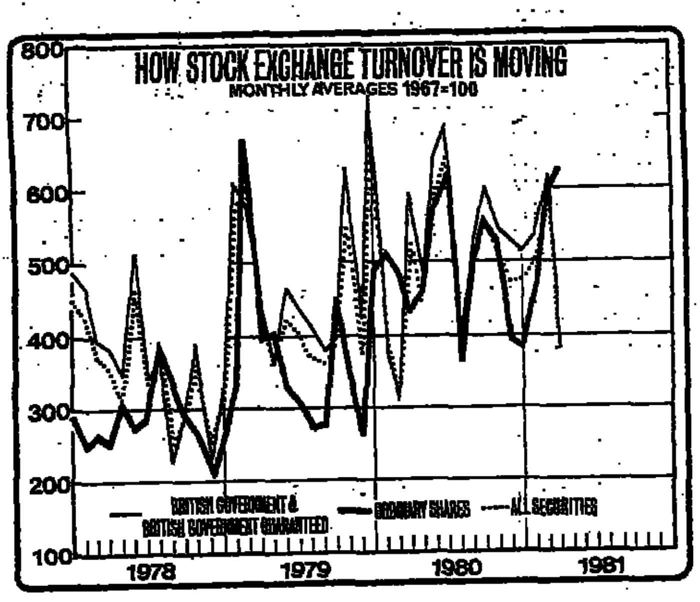
Turnover in equities up but drops in gilt-edged

BY NIGEL SPALL

A SHARP fall in business in gilt-edged securities last month led to an overall decline in Stock Exchange turnover compared with March. There were two fewer trading days in April. Total turnover last month, at £13.42bn, was down £5.56bn, or 29.3 per cent.

The Financial Times turnover index for all securities fell from a March level of 581.5 to 411.1, which compares with the 1980 monthly average of 501.2.

A disappointing set of banking statistics in the early part of the month, coupled with fading hopes of a further cut in Minimum Lending Rate curbed investment enthusiasm in gilts. Business in British Funds fell by £5.58bn, or just over 38 per cent, to £9.03bn of which the shorts accounted for £4.71bn.



Trade in other Government securities amounted to £4.32bn, a fall of £4.52bn, or 51.2 per cent. The number of bargains in the funds decreased by 20,905 to 76,508 with deals in the shorts 3,473 lower at 21,058. Bargains in the longs and and irredeemables contracted by 17,432 to 55,450. The FT turnover index for Government securities dropped to 382.1 *from the March level of* 618.3 and well below the 1980 monthly average of 535.0.

In sharp contrast, business in equities *improved* last month as equity prices staged a widespread advance on recovery hopes.

Equity turnover improved by £0.2bn, to £3.50bn, or 5.2 per cent, while the average value per bargain increased by £626 to £7,502. The FT turnover index for ordinary shares rose to 624.1, its highest level since March 1979, from last month's figure of 593.1. The number of bargains declined by 17,232 to 466,185.

Share prices of the miscellaneous industrial leaders maintained a prolonged advance. Demand was *generated* by news of the improved financial position of UK industry through the process of de-stocking over the *past year* and a growing concensus that perhaps the turning point in the economy had been reached.

Another important influence was the ICI chairman's comments on the group's pick-up in sales and profit margins in March.

The Financial Times Industrial ordinary index, after registering a month's low-point of 525.8 on April 7, launched a *spirited* attack on the psychological barrier of 600. Institutional buyers caught the market unaware and ICI's surprise first-quarter profit of £52m, announced on the last day of the month, prompted a final assault which left the index just 2.7 points short of 600, at an all-time high of 597.3, a gain of 69.2 points, or 13.1 per cent, on the month.

The *FT Gold Mines index* moved irregularly and ended the month marginally lower at 345.7, while the bullion price *shed* $24½ *to* $482.

Category	Value of all purchases & sales £m	Total %	Number of bargains	Total %	Average value per day £m	Average value per bargain £	Average number of bargains per day
British Government and British Government Guaranteed							
Short-dated (having five years or less to run)	4,712.9	35.1	21,058	3.6	235.6	223,805	1,053
Others	4,316.2	32.2	55,450	9.5	215.8	77,839	2,773
Irish Government							
Short-dated (having five years or less to run)	319.0	2.4	1,360	0.2	15.9	234,576	68
Others	93.1	0.7	1,948	0.3	4.7	47,791	97
UK Local Authority	329.1	2.4	5,143	0.9	16.5	63,986	257
Overseas Government Provisional and Municipal	21.3	0.2	895	0.2	1.1	23,796	45
Fixed Interest Stock Preference and Preferred Ordinary Shares	128.3	0.9	30,089	5.2	6.4	4,263	1,504
Ordinary Shares	3,497.5	26.1	466,185	80.1	174.9	7,502	23,309
TOTAL	13,417.4	100.0	582,128	100.0	*670.9	*23,049	*29,106

* Average of all securities.

BA to use Gem engines

ROLLS-ROYCE has produced 650 Gem helicopter engines for military use in the last five years, and has now delivered its first two for civil use, the company said in London yesterday.

The engines will power the Westland 30 helicopters ordered by British Airways.

Gem engines have flown 150,000 hours in service with nine countries in the *twin*-engined Lynx military helicopter. The engines are produced at the company's Leavesden factory, near Watford.

Now! subscribers offered Economist

THE 14,000 UK subscribers to the weekly news magazine, Now!, which stopped publishing last week, are to be offered *a choice between a subscription* to The Economist for the remainder of their term, or a cash refund from the publishers *of Now!.*

CONTRACTS

Giro orders fast laser printers

National Girobank has placed an order worth over £300,000 with **INTERNATIONAL COMPUTERS** for two high-speed LPS14 laser printers. They will *be used to undertake the print*ing of the bank's statements to account holders and a variety of other work. The laser printers are to be installed during the summer at Girobank's operational centre in Bootle, Merseyside, and will be handling output from four ICL 2900 Series and System 4 mainframe computers.

★

MARCONI COMMUNICATION SYSTEMS, a GEC-Marconi Electronics company, has won an order worth about £250,000 to provide Independent Television News with an outside broadcast van. Based on a Bedford TK 860 chassis, the two—three camera OB van is to be equipped with a Marconi type MR2 video tape recorder, Marconi switching *units and* B4006 distribution amplifiers. The vehicle also includes a 10 input vision mixer, three 15-in colour monitors, one 11-in monitor and eight 9-in monitors, a waveform monitor and vectorscope and an "off-air" receiver for cueing, line-up and general monitoring of trans*mitted signals, with a compre*hensive custom designed communications system.

★

SMITHS INDUSTRIES has received an order worth over £200,000 for instruments and accessories for Shorts SD3-30. This order covers equipment for aircraft to be *delivered up to* mid-1982. Each set of equipment for an SD3-30 and its Pratt and Whitney PT6A-45A turbo-prop engines consists of the following: propellor rpm, gas generator rpm, oil pressure-temperature, airspeed, outside air temperature and vertical speed indicators as *well as engine mounted pressure* transmitters and tacho-generators.

★

PYE TELECOMMUNCATIONS has been awarded a *£34,000* order by the South Yorkshire Passenger Transport Executive to supply hand-held P5001 radio *telephones* and associated equipment.

★

ALLUVIAL MINING, Basildon, has been awarded a contract from Hunting Surveys to obtain vibrocore samples of the seabed along the proposed North Sea gas gathering pipeline route. *Cores will be taken once every* 5 km along the route to obtain over 200 cores of up to 3 metres in length. Maximum water depth is about 150 metres. The cores will be analysed to correlate sonar, sparker and other geophysical data.

★

Yorkshire-based **HAGGLUNDS (UK)** has won a contract from Gyro Mining Transport to supply hydraulic wheel motors for all locomotives and *self-propelled* trains built by GMT for the NCB.

★

William Collins and Sons is to install a Harris perfect binding line designed to incorporate burst binding facilities. Valued at over £500,000 to **HARRIS BINDERY SYSTEMS** of Slough, the order includes a 24 station gatherer, ten automatic hopper loaders with extensions and an adhesive binding line. The system will be installed later this year at Bishopsbriggs, Glasgow.

★

HYDROVANE COMPRESSORS has won a £387,000 order from North Thames Gas for 86 super-silenced single tool portable compressor sets.

Put your money on the world's favourite video-taping system.

Doing justice to Nigel's first Junior Cross Country calls for something a lot more sophisticated than a box brownie.

Panasonic's new portable video system would do nicely.

The colour video camera (WV-3000) is very compact and weighs only 1.5kg.

Its 3x zoom lens with automatic iris makes video-taping as easy as falling off a horse.

It works indoors and out. And you can replay immediately on the 1.5" TV monitor/viewfinder. If you don't like the results, just rewind the tape and reshoot.

You can tape for up to four hours on one video cassette. With a clever electronic editing system that automatically eliminates annoying "picture noise" between "takes".

The NV-3000 portable video deck works off mains, a rechargeable one hour battery pack or the battery in your car. So you can use it anywhere.

Despite its size, our new baby has still frame, single frame advance and quick/slow capability.

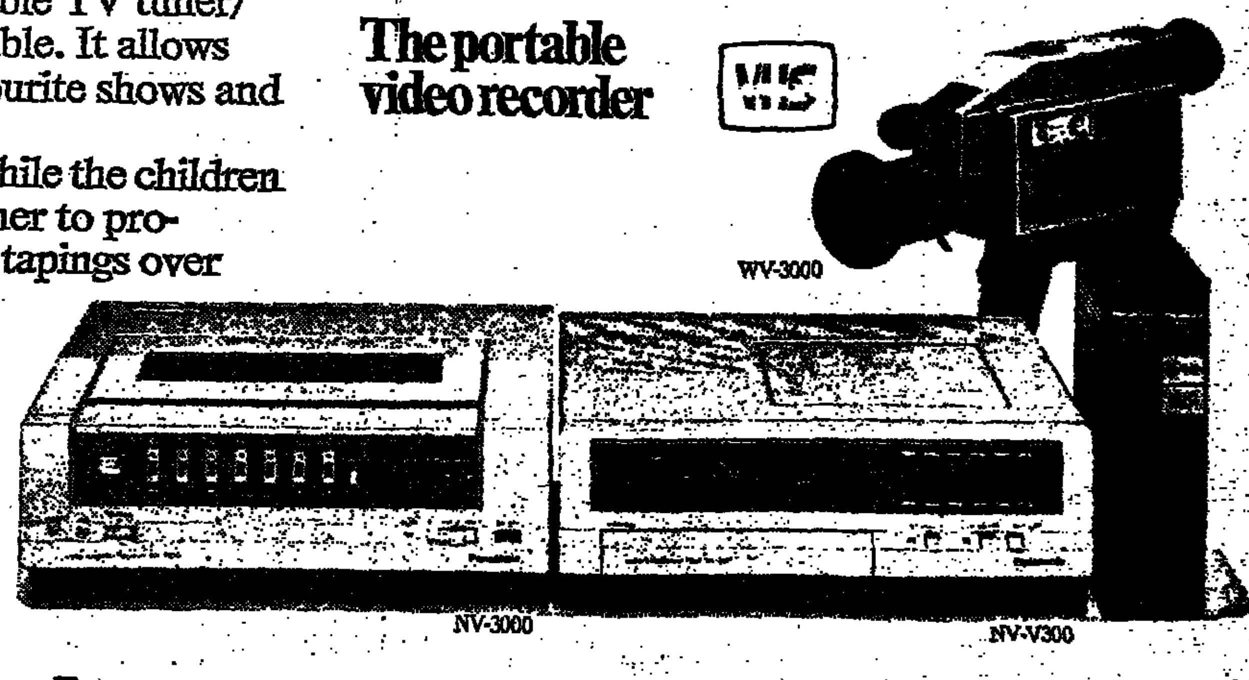
A matching, programmable TV tuner/timer (NV-3000) is also available. It allows TV programmes of your favourite shows and sports to be recorded.

You can tape one show while the children watch another. Or use the timer to programme up to eight different tapings over 14 days.

Panasonic video recorders use an aluminium diecast chassis. Not a flimsy stamping. And a quartz-locked, direct-drive motor keeps the picture rock-steady.

No wonder VHS has galloped ahead of the field to become the world's favourite video-taping system. Three million customers, on every continent, can't be wrong.

The portable video recorder VHS



Panasonic

Panasonic, National and Technics are the brandnames of Matsushita Electric.

As well as the camera shown, we also offer a power zoom version, the WV-3200, and the budget-priced WV-2600. For further details please contact: National Panasonic (UK) Ltd., 308/318 Bath Road, Slough; Berks SL1 6JB. Tel: Slough 34522.

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INTERNATIONAL COMPANIES and FINANCE

Squeeze on cash forces delay in GM spending

BY PAUL BETTS IN NEW YORK

GENERAL MOTORS is being forced to delay part of its $40bn five-year capital spending programme in the U.S. because of the company's current cash squeeze.

GM, the world's largest car manufacturer, confirmed yesterday it was postponing for at least a year construction of two car assembly plants, each involving an investment of $500m.

The two plants, one in Kansas City and the other at Flint in Michigan, form part of the group's capital investment programme which is scheduled for completion in 1984 with the aim of retooling for the manufacture of smaller, more fuel efficient cars.

GM blamed the delays on lower than expected car sales, which were failing to generate the necessary cash flow to sustain the current schedule of the investment programme.

Although car sales were beginning to recover, GM said the upturn was not sufficient to allow it to keep to its schedule.

The company declined to comment on recent reports that it was postponing some future car product programmes, including a new four cylinder engine for its Oldmobile division and a car to replace the sub-compact Chevette, which is due to be phased out in 1985.

The company emphasised that GM was not modifying or abandoning any part of its capital investment programme, but changing the timing of some of the proposed projects.

Although GM's first quarter showed a better than expected 23 per cent gain in earnings to $190.3m, Mr. Roger Smith, GM's chairman, and Mr. James McDonald, the company's president, said "current earnings are well below the level that must be achieved to fund a substantial portion of the company's unprecedented capital expenditure."

Total GM sales in the first quarter were virtually unchanged at $15.72bn compared with the corresponding period last year. Moreover, profit margins suffered from the company's rebate programme, which was designed to encourage sluggish sales.

However, GM recently increased its prices by 3.5 per cent in an effort to generate more cash, despite strong opposition from dealers. To raise additional cash this year, GM is to sell its Manhattan skyscraper for an estimated $500m as well as seeking union concessions to reduce labour costs.

Operating margins decline at Boeing

By Our New York Staff

Boeing, the leading U.S. aircraft manufacturer, achieved a modest 3 per cent rise in first quarter earnings, which totalled $144.1m or $1.49 a share, compared with $139.8m or $1.45 a share during the first three months of last year.

Sales rose 13 per cent to $2.42bn in the first quarter from $2.15bn in the same period last year.

Although the company said that the increase in net first quarter income reflected higher sales volume and lower federal income-tax rate, it added that operating margins declined "somewhat" while interest income was substantially down.

According to Mr. T. A. Wilson, chairman of Boeing, 91 Boeing jets were ordered by airlines in the first quarter for a total value of $2.6bn. This is down on the 108 aircraft ordered in the first quarter of last year.

Mr. Wilson also said that the problems of the airline industry, including increased prices for fuel and stiffer competition, were continuing to lower the level of orders for the company's Boeing 727 and 747 commercial aircraft. He said Boeing sales are expected to remain flat both this year and next at around the $9.4bn sales level of 1980.

● Grumman Corporation, the military aircraft group which also makes buses, saw first-quarter profits drop from $6.14m, or 51 cents a share, to $5.37m, or 39 cents, after a drop in sales from $456.91m to $419.06m. The company said it expected earnings growth for the remainder of the year as its bus operations improved and its aerospace activities continued to perform solidly.

Gould confident of recovery in earnings

By Our Financial Staff

IN SPITE of a first quarter reverse, Gould, a diversified manufacturer of electronic and electrical products, batteries and a wide range of industrial products, is optimistic on the outlook. An improvement in earnings per share in the second quarter and final half of 1981 was forecast yesterday by Mr. William T. Ylvisaker, chairman, at the annual meeting.

In the 1980 second quarter, Gould earned $16.3m or 47 cents a share. For all 1980 earnings were $72.5m or $2.10 a share.

Gould recently reported that first quarter 1981 earnings dropped to $19.7m or 55 cents a share from $26.6m or 78 cents.

Kennecott results hit by fall in base metal prices

BY PAUL TAYLOR IN NEW YORK

SHAREHOLDERS of Kennecott Corporation yesterday approved the $1.77bn acquisition of the leading U.S. copper producer by Standard Oil of Ohio (Sohio) the U.S. oil group controlled by British Petroleum.

Kennecott also reported yesterday a $7.5m operating loss in the first quarter, reflecting in large measure the sharp decline in copper and other metal prices.

However, because of a $42.1m gain from the sale of a one-third interest in its Chino Copper mines and processing facilities in New Mexico to Mitsubishi of Japan, Kennecott had overall net earnings of $34.6m.

This is nonetheless down 44 per cent on the $61.5m the copper producer reported in the first three months of last year. Per share profits came out at $1.17 against $1.86.

Sales in the first quarter were down 15 per cent to $547.9m compared with the $645.2m in 1980.

Mr. Thomas Barrow, the Kennecott chairman, attributed the lower first quarter earnings to sharp declines in prices for copper, molybdenum, silver and lead. Average copper prices were down 32 per cent and sales were 10 per cent lower at 87,700 tons.

INTERNATIONAL CAPITAL MARKETS

Eurodollar bond prices fall sharply

BY FRANCIS GHILES

THE EUROBOND market was thrown into confusion yesterday by the rapid surge in U.S. interest rates.

In the fixed interest dollar sector of the market, prices fell by an average of 3 points. Some issues dropped further, such as the 11 per cent bond to August 1995 for the EEC, which shed 5¾ points to close at 73¾.

Short dated bonds posted smaller losses of about 1½ points. Although dealers described the market as "difficult," dealing spreads do not appear to have widened beyond their average of ½ per cent. In the floating rate note sector, prices fell by ¾ of a point on average.

Eurodollar interest rates followed New York with the six month rate gaining 2¼ per cent to 20½ per cent. Elsewhere in Europe, interest rates rose, though less sharply than in the U.S. The six month Euro-deutsche mark rate gained 13/16 of a point to 12¾ per cent as D-Mark foreign bonds lost 1½ points across the board.

This did not prevent a DM 100m 8-year public issue being launched for Belgelectric Finance BV through Deutsche Bank. The issue carries a coupon of 10¾ per cent and has been priced at par.

Swiss franc foreign bonds fell by half a point as interest rates on six month Euroswiss francs rose by ¾ of a point to 9¾ per cent. In both these sectors, the falls were prompted by currency rather than interest rate consideratons.

Two private placements are currently being arranged in this sector by Credit Suisse. A SwFr 50m five-year floating rate note with a minimum coupon of 6¾ per cent is to be launched for Banco Ambrosiano of Italy and a SwFr 48m five-year floating rate note is planned for the Spanish regional motorways company, Aucalsa. It carries the same minimum coupon.

In the dollar sector, the $50m 15-year convertible for Gillette was cancelled by the lead manager Credit Suisse First Boston after it met with a poor reception last week.

A $100m eight-year floating rate note for the Spanish state railways, RENFE, which carries a minimum coupon of 9¼ per cent and an interest rate 2¼ over the six month London interbank offered rate was launched by Mitsui Finance (Europe), Kredietbank and Societe Generale.

IMI to raise $150m Eurocredit

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

ITALY'S state financing concern Istituto Mobiliare Italiano (IMI) is raising a $150m credit in the Euromarkets at a margin of ¼ point over U.S. prime rates for eight years.

The credit will be syndicated among regional U.S. banks in the second half of this month under the leadership of Manufacturers Hanover and Bank of Tokyo which will handle the transaction through its U.S. subsidiaries.

Terms were agreed with the borrower in principle several months ago, but the launch of the credit was delayed by the $1bn earthquake reconstruction loan arranged for Cassa per il Mezzogiorno by Bankers Trust International.

That loan was originally scheduled to be for a total of $2bn but was cut in half because of poor market response to its fine terms.

Bankers yesterday expressed initial surprise that IMI is coming to the market on terms even finer than those awarded to the Cassa, whose loan bore a margin of ¼-½ per cent over prime rate.

However, the problems with the Cassa loan stemmed mainly from anxieties over the tranche prices over London interbank rates (Libor) which bore a ⅜-½ per cent split spread. Prime based deals meet less resistance in syndication because the prime rate itself already embodies an element of profit for the banks.

Bankers close to the IMI deal said yesterday that the borrower is keen to tap the U.S. domestic banking market for funds, leaving the way clear for Libor-based borrowings from non-U.S. banks.

Separately, Fiat is arranging a $200m, seven-year credit with the guarantee of its international holding company based in Lugano. The credit bears a margin of ⅜ per cent over Libor.

The mandate for the credit has gone to Arab Banking Corporation, Banca Commerciale Italiana, Gulf International, Kuwait Foreign Trading and Contracting Company and National Westminster.

$200m loan for Kerr-McGee

BY JOHN MAKINSON

KERR-McGEE OIL (UK), a subsidiary of the U.S. Kerr-McGee resources group, has obtained a $200m loan to finance the continue development of the Beatrice field and the development of the South Brae field in the UK sector of the North Sea.

The credit, which has been assembled by a group of nine banks under the lead of Morgan Guaranty, will be repaid from cash flow from the projects and is expected to have a final maturity of about 5½ years.

Kerr-McGee has a 25 per cent interest in the Beatrice field and an 8 per cent interest in the South Brae field. Guaranteed by the parent company, the new loan is linked to an earlier $150m financing for Beatrice signed in August, 1979.

Second quarter gain forecast by U.S. Steel

By Our Financial Staff

U.S. STEEL, the largest of the U.S. steel producers, expects second quarter earnings to be "better than" those of a year ago, said Mr. David Roderick, the chairman, in Pittsburg.

He added, however, that the current coal strike has "taken away from what could have been an extremely good" second quarter. U.S. Steel is a major coal producer.

In the 1980 second quarter, the company reported operating net profit of $80.7m or 93 cents a share. A tax credit made final net earnings $111.5m or $1.28 a share. Sales were $3.15bn.

Mr. Roderick saw "no reason" why profit for the whole of 1981 should not be higher than in 1980, when U.S. Steel achieved net income of $504.5m or $5.77 a share on sales of $12.49bn.

The previously reported sale of coal reserves to Standard Oil of Ohio for about $700m is now scheduled to close on August 31.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Thursday, May 14. Closing prices on May 5

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Air. [illegible] (WW)	150	97⅜	97⅞	[illegible]	[illegible]	16.02
Amoco 13¾ 88	175	90	90½	−3¼	−3	15.65
CIBC 15⅞ 84	100	96¾	96⅝	−2¾	−2¾	16.08
CNE 12¾ 91	100	85¾	86⅛	−3¼	−3	15.60
Citicorp O/S Fin. 10 88	300	80⅛	80⅝	−3	−2½	15.82
Citicorp O/S Fin. 12 87	200	83⅞	84⅜	−4⅛	−3⅜	16.08
Con. Illinois O/S 9¼ 88	150	78⅜	78⅞	−3⅜	−3⅛	16.18
Dupont Canada 13½ 91	65	89⅝	89⅞	−3⅞	−3	15.63
EEC 11 85 (August)	70	72⅞	73⅞	−5⅞	−5⅞	15.90
EIB 12⅞ 89	75	85⅛	85⅝	−4⅛	−3⅞	16.10
Eldorado 13⅛ 86	50	91⅞	91⅝	−2⅛	−2⅛	[illegible]
Elec. de France 10 88	125	75⅜	75⅞	−4	−3¼	[illegible]
Elec. de France 13 88	125	89	89⅜	−3⅜	−3⅜	15.66
Export Dv. Cpn. 8½ 88	150	79⅛	79⅝	−2⅜	−2½	16.03
Fed. Bs. D. 12¾ 85 (N)	50	88½	89	−3⅞	−2⅞	15.84
Fin. Exp. Credit 10½ 85	50	82⅝	82⅞	−2⅞	−2⅞	16.87
Finland, Rep. of 9⅝ 86	100	78⅞	78⅞	−2½	−2¼	16.15
Ford Credit O/S 14⅞ 83	150	94⅝	95⅛	−2	−1⅞	17.04
Ford Cr. O/S Fin. 16 84	150	97⅝	98⅛	−1⅞	−1⅞	16.86
Gaz de France 13½ 86	80	93	93½	−3⅛	−2⅞	15.57
GMAC O/S Fin. 12 87	100	83⅞	84⅜	−3½	−3	16.17
GMAC O/S Fin. 12⅞ 88	100	85⅞	86⅜	−4	−4	16.38
Gen. Mtrs. O/S 11⅝ 87	100	83⅞	86⅞	−2⅜	−2⅜	15.87
Genstar 14⅛ 91	50	95⅝	95⅞	−1⅞	−1⅞	15.63
GTE Fin. 13⅜ 86 (WW)	50	93⅛	93⅝	−3⅛	−2⅞	15.74
Hudson's Bay 11½ 90	75	77½	78	−4⅞	−4⅞	16.34
IBM Wld. Trade 12⅜ 88	200	89⅞	90⅜	−3⅜	−3⅛	14.91
Newfoundland 13¾ 90	50	88⅜	88⅞	−4	−3½	16.02
Nova Scotia 10¾ 90	50	80	80½	+0⅛	+0⅛	14.79
OKB 10 85	50	82¼	82⅞	−3⅛	−2⅞	16.05
Ontario Hydro 13½ 91	100	89¼	89¾	−3⅜	−3⅞	15.86
Quebec Hydro 11½ 92	100	78⅞	78⅞	−2⅛	−2⅞	15.86
Queb. Hy. 13 91 (WW)	100	85⅞	85⅞	−5⅞	−3⅞	16.00
Royal Bk. Canada 14 86	100	92⅞	92⅞	0	0	16.31
SNCF 12⅛ 85	50	90⅝	91⅛	−2⅞	−2½	15.58
SNCF 13 91	75	91	91½	−0⅛	+0⅛	14.71
Sth. California Ed. 14 87	50	94	94½	−2⅞	−2⅞	15.53
Sven Handelsbk. 13¾ 88	45	90⅜	91⅞	−3⅞	−3	15.97
Sweden 12⅞ 85	150	87⅞	88⅜	−3⅞	−2⅞	16.36
Swed. Ex. Credit 12 83	50	91⅛	91⅝	−2⅛	−2⅛	16.44
Swed. Ex. Credit 13 86	75	89⅛	89⅝	−2½	−2⅛	16.30
Toronto-Dom. Bk. 14 84	50	95	95½	0	0	16.13
Tribune O/S Fin. 14 86	50	93⅛	93⅝	−3	−2½	15.95
World Bank 9⅝ 85	200	82⅛	82⅝	−2⅝	−2⅝	15.83
World Bank 10⅝ 87	300	82⅛	82⅝	0	+0½	14.87

Average price changes... On day −2⅞ on week −2½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	96	96½	0	0	10.60
Austria, Rep. of 8¾ 92	150	87⅞	88½	−1⅞	−1½	10.09
CECA 7⅞ 92	150	86⅞	87⅜	−1⅛	−1⅛	9.79
CECA 10 91	120	100⅛	100⅞	−2⅛	−2⅛	9.91
Cii-Honeywell 8¾ 90	125	89½	90⅛	−0⅞	−0⅞	10.10
Council of Europe 10 91	100	97½	98⅛	0	0	10.35
EIB 8½ 90	200	89⅜	90½	−1½	−1⅛	10.23
EIB 10½ 91	200	99⅞	100⅜	−2⅛	−2⅛	10.45
ESCOM 9¾ 87	100	91⅞	92⅜	−1⅞	−1⅞	10.95
Finland, Rep. of 10 89	100	96⅞	96⅞	0	0	10.72
Iberduero SA 9 90	100	93⅜	94⅛	−1⅛	−1⅛	10.01
Ind. Bk. Finland 8½ 90	50	88⅜	89½	−0⅜	−0⅜	10.33
Int.-Am. Dv. Bk. 10 91	100	97⅞	98⅜	−1⅛	−1⅛	10.28
Japan Air Lines 8½ 87	100	90⅞	91	−2⅛	−2⅛	10.14
Japan Dev. Bank 7¾ 87	100	88⅜	89⅜	−0⅛	−0⅛	10.04
Kobe, City of 8 90	100	88⅜	89⅛	−1⅛	−1⅛	9.92
Midland Int. Fin. 8½ 90	150	91⅛	92⅝	−0⅛	−0⅛	9.82
Nuclebras 9¾ 88	100	90⅜	91⅜	+0⅛	+0⅛	11.61
OKB 8¾ 92	150	87⅛	88	−1½	−1½	10.14
Oslo City of 8¾ 90	80	†94½	96⅛	−0⅞	−0⅛	9.63
Venezuela, R. of 9¾ 90	150	93⅞	94⅜	−1⅛	−0⅞	10.72
World Bank 8 90	700	86⅞	87⅜	−1⅛	−1⅛	10.25
World Bank 10 86	150	100⅛	101	−0⅛	−0⅞	9.83

Average price changes... On day −1⅛ on week −1⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6½ 91	80	95⅛	95½	0	0	7.16
BFCE 6½ 91	100	98⅛	98½	−0⅞	−0⅞	6.73
Bayer Int. Fin. 5¾ 92	100	90⅛	90⅜	−0⅛	−0½	6.47
Bergen, City of 6½ 91	40	93½	93⅞	0	0	7.69
Buhrm Tetterode 7 90	40	99⅞	100	+0⅛	−0½	7.02
CECA 6⅞ 91	80	95⅞	96⅜	0	0	7.40
Denmark 5¾ 90	80	84	84⅛	−1½	−3⅞	8.29
Dome Petroleum 6⅞ 91	100	93⅛	93⅜	−0⅞	−1⅛	6.71
Elet. de France 5¾ 90	100	90	90⅛	−0⅛	+0⅛	6.69
Eurofima 5⅞ 92	80	97½	97⅞	−1⅛	−0½	6.04
F. G. H. Hypo. Bk. 6 90	50	90⅞	91⅛	−1⅞	−1½	7.39
Finland, Rep. of 5⅞ 90	80	86½	86⅞	+2⅞	−1⅞	7.68
Franc. Petroles 6½ 91	80	96	96⅛	0	0	7.05
Genstar 7 91	100	99⅛	99⅜	0	0	7.07
Int.-Amer. Dv. Bk. 7 91	100	98⅛	98½	0	0	7.23
Japan Dev. Bank 5¾ 90	100	91	91½	−2⅛	−2½	7.08
Mt. Blanc Tunnel 5½ 90	80	85⅞	85⅞	−3⅞	−3⅞	7.71
Newaq 5¾ 90	80	91	91⅛	+0⅛	+0½	7.09
OKB 7 93	100	97½	97⅞	0	0	7.30
Oslo, City of 5⅞ 90	80	92⅛	92½	+1⅛	+0⅛	7.00
Philips Lamps 5¾ 92	100	89	89⅛	+2⅛	+1	6.65
Swed. Ex. Cred. 7¼ 91	75	96⅛	96⅞	0	0	7.77
Trade Dev. Fin. 6½ 90	50	90	90⅛	−0⅛	−2	7.63
Voest-Alpine 5¾ 90	80	†90	90½	−0⅛	−0⅛	7.21
World Bank 6 91	100	90⅛	90⅝	−1⅛	−2⅛	7.37
World Bank 7 90	100	99⅛	99⅜	0	0	7.06

Average price changes... On day −0½ on week −1⅞

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.5 83	30	92⅞	93⅞	−0½	−0¼	8.69
Australia 6½ 88	20	86⅞	87⅞	−0⅞	−0⅛	9.01
EIB 7⅛ 89	12	93⅜	94⅛	−0⅛	−0⅛	8.81
Finland 5.6 83	10	92⅛	93⅛	−0½	−0¼	8.98
Finland 6.8 88	10	87⅞	88⅞	+0⅛	+0⅛	9.13
Finland, Rep. of 8¼ 87	15	98⅞	99⅞	0	0	8.51

Average price changes... On day −0⅛ on week −0½

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¾ 86 C$	60	88½	89⅛	−0⅜	−0¼	13.75
CIBC 10½ 85 C$	[illegible]	[illegible]	[illegible]	[illegible]	−1½	15.79
CIBC 11½ 85 C$	[illegible]	[illegible]	[illegible]	[illegible]	−0⅜	15.56
Fed. Dev. 11½ 90 C$	[illegible]	[illegible]	[illegible]	[illegible]	−1⅛	15.24
Fst. Can. Inv. 10 84 C$	[illegible]	[illegible]	[illegible]	[illegible]	−1⅛	16.38
R. Bk. Canada 10 85 C$	[illegible]	[illegible]	[illegible]	[illegible]	−1	12.66
Tordom Cpn. 12½ 85 C$	[illegible]	[illegible]	[illegible]	[illegible]	−1⅛	15.70
M. Bk. Denmk. 9 91 EUA	[illegible]	[illegible]	[illegible]	[illegible]	+0⅛	10.43
SOFTE 8⅞ 89 EUA	40	87½	88½	+0⅞	+0⅞	10.55
U. Bk. Nrwy. 9½ 90 EUA	35	97½	98½	+0⅛	+0⅛	9.84
Algemene Bk. 10⅝ 86 Fl	60	95⅜	96⅞	−1⅛	−1⅛	11.46
Bk. Mees & H. 10 86 Fl	75	95⅜	96⅜	−0⅞	−0⅞	11.09
Heineken NV 10 87 Fl	100	93⅞	94⅜	−1⅞	−1	11.35
Nat. Nedrlndn. 10 88 Fl	60	94	94½	−1⅛	−1⅛	11.24
Ned. Midd. Bk. 10 85 Fl	75	96⅛	97⅛	−0⅜	−0½	10.90
Pierson 10½ 86 Fl	50	96	96⅞	−1	−0⅞	11.28
Air France 14½ 86 FFr	200	97⅞	98⅞	0	0	15.01
Bk. Amerique 14½ 86 FFr	250	97⅞	98⅞	0	0	15.06
Charb'nages 13⅞ 85 FFr	400	96⅜	97⅜	−1⅛	−1	14.67
EIB 14⅞ 88 FFr	300	97⅞	98⅞	−1⅛	−1⅛	14.82
La Redoute 14½ 85 FFr	125	96⅞	96⅞	−0⅛	−0⅛	15.70
OKB 14 86 FFr	400	97⅜	98⅞	−0⅛	−0⅛	14.44
Solv. et Cie. 14⅞ 86 FFr	200	102⅛	103⅛	−0⅛	−0⅛	13.90
Swed. E. Cr. 14⅞ 86 FFr	250	97⅞	98⅞	0	0	15.32
U. Max. Sts. 14 85 FFr	150	95⅞	96⅞	−1⅛	−1	15.24
Acona 14 85 £	20	94⅜	95⅜	−1	−0⅞	15.45
Beneficial 14¼ 90 £	20	91⅝	92⅝	−2⅛	−2⅛	15.88
BNP 13½ 91 £	15	94⅞	94⅞	−1⅜	−1⅜	14.56
CECA 13½ 88 £	20	94⅜	95⅜	−1⅛	−1½	14.65
Citicorp O/S 13½ 90 £	50	94⅞	94⅞	−1⅛	−1⅛	14.62
Fin. Ex. Cred. 13⅛ 88 £	15	97⅛	97⅞	−0⅞	−0½	14.47
Gen. Elec. Co. 12½ 89 £	50	92⅜	93⅛	−1	−1⅛	14.06
Hiram Walker 14⅛ 86 £	25	96½	97	−1⅛	−1⅛	15.22
Privatbanken 14½ 88 £	12	96⅞	96⅞	−0⅛	−0⅛	15.31
Rothschild 14½ 90 £	12	95⅞	95⅞	−2½	−2½	15.14
Royal Trustco 14 86 £	12	98⅜	99⅜	−0⅞	0	14.22
Swed. Ex. Cr. 13½ 86 £	20	96½	97	−1⅛	−1⅛	14.70
Banobras 8¾ 90 KD	7	†91½	92	0	0	9.67
CCCE 8¼ 91 KD	10	†83⅞	84⅞	0	0	10.84
Sonatrach 8½ 90 KD	12	†94⅞	95⅞	0	0	9.35
Akzo 9¾ 87 LuxFr	500	85⅞	86⅞	−0⅞	−0⅞	12.47
Euratom 9¾ 88 LuxFr	500	89½	90½	−0½	−0½	11.98
Eurofima 10⅛ 87 LuxFr	500	93½	94½	+1	+1	11.85
EIB 9⅞ 88 LuxFr	600	91⅛	92⅛	+0⅛	+0⅛	11.59
Volvo 9⅞ 87 LuxFr	500	86⅞	87⅞	+0⅛	+0⅞	12.82

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bank 5¼ 87	0¼	98⅞	99⅛	2/7	16⅞	16.81
Bank of Montreal 5¼ 90	0¼	98⅞	99⅛	18/6	19⅞	19.70
Bank of Tokyo 5¼ 89	‡0¼	97⅞	98⅜	25/7	16½	16.82
BBL Int. 5 88	0¼	99	99½	20/5	16½	16.82
BNP 5½ 88	‡0¼	98½	99	29/7	16.44	16.65
CNT 5¼ 86	§0¼	98⅞	99⅛	16/10	16.81	16.96
Christiania Bk. 5½ 91	‡0¼	97⅛	97⅝	5/8	17.31	17.76
Citicorp O/S F. 84	‡0	98⅞	99⅛	30/5	16⅞	17.02
C. Itoh 5¼ 87	0¼	98⅞	99⅛	18/9	15.44	15.69
Co-operative Bk. 6 86	0¼	98⅞	99⅛	15/5	15⅛	15.50
Den Norske Credit 6 90	‡0¼	†97⅞	98⅜	5/8	17.31	17.57
Genfinance 5¼ 87	0¼	98⅛	98⅝	30/10	16.94	17.20
Giro und Bank 5¼ 91	‡0¼	97⅛	97⅝	23/8	14.06	14.42
GZB 5½ 89	‡0¼	98	98½	1/8	17.31	17.62
Ind. Bank Japan 5¼ 87	0¼	98	98½	15/10	17.06	17.37
Ind. Bank Japan 5¼ 88	0¼	98⅛	98⅝	9/10	16.44	16.69
Lloyds Eurofin 8 90 £	0¼	96½	97	3/7	14½	14.99
Lloyds Eurofin 5¼ 92	0¼	98	98½	4/6	17¼	17.58
LTCB Japan 5¼ 86	0¼	99½	100	13/6	20.19	20.24
Man. Hanov. O/S 5¼ 94	‡0¼	98⅜	98⅞	30/5	17	17.24
Midland Int. Fin. 5¼ 92	0¼	98	98½	5/6	17.19	17.49
Midland Int. Fin. 8 91	0¼	97½	98	30/10	16.81	17.20
Nacional Fin. 6¼ 88	0¼	98⅞	99⅛	26/7	17⅛	17.95
Nacional Fin. 5½ 88	0¼	96⅞	97⅜	25/9	14⅞	15.35
Nat. Bk. Canada 5¼ 88	0¼	96⅞	97⅜	24/9	14½	14.93
Nat. West. 5¼ 94	§0¼	97⅛	97⅝	14/10	16.19	16.62
Nat. West. 5¼ 92	§0¼	97⅛	97⅝	23/10	16.81	17.24
Pemex 6 91	0¼	96⅞	97⅜	8/10	15.31	15.81
Sparebanken 6 87	0¼	99	99½	19/6	19⅞	20.03
Standard Chart. 5¼ 90	0¼	98⅛	98⅝	3/8	17.06	17.32
Svenska Hndlsbk. 5 87	0¼	98⅞	99⅛	15/7	17.81	18.02

Average price changes... On day −0½ on week −0½

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Bow Valley Inv. 8 95	4/81	23.12	95⅛	97⅛	−2⅛	31.28
Canon 6¾ 95	1/81	829	139	140½	−2	0.24
Credit Suisse 4¾ 93	10/79	1236	91	93	−2	4.13
Digicon Fin. 8½ 95	10/81	29.5	102½	104	−2⅛	−0.14
Hanson O/S Fin. 9½ 96	8/81	2.74	92⅞	92⅞	0	65.87
Ina Overseas 8¾ 2000	4/81	42	100	101½	−6⅛	0.76
Inchcape Ltd. 8 95	2/81	4.55	92½	94	−3⅛	−0.02
Kotobukiya Co. 7 96	4/81	619	92⅛	93⅛	−7	−7.82
Marion Int. Fin. 9 95	12/80	15.5	82	83½	−2½	31.56
Matsushita El. 7½ 95	11/80	590	109½	110	−1½	−0.37
MEPC 8¾ 96	2/81	2.47	95⅛	97⅛	−3⅛	12.03
Niigata Eng. 7½ 96	1/81	327	†102	104	+2	17.87
Nissho-Iwai Co. 8 96	10/80	398	†75	77	−2⅛	−2.28
Ricoh 6¾ 95	8/80	404	123⅞	124½	−1	−0.86
Sumitomo M. Ind. 7 95	[illegible]	781	127	128½	+2⅞	1.20
Swiss Bk. Cpn. 6⅞ 90	9/80	200	71⅛	73⅛	−5⅛	14.85
Taylor Woodrow 8¾ 90	1/81	4.94	107⅞	108⅞	−2⅛	0.58
Tokyu Land Cpn. 7¾ 96	4/81	375	103	104½	−1½	8.26
Transco Int. 8¾ 95	2/81	68	80⅞	82⅞	−3⅛	27.40
Tricorp. 8½ 95	12/80	31.25	†81½	83	−6	28.52
Union Bk. Switz. 5 89	2/80	70.79	73½	76½	−2⅛	5.30
Fujitsu 5 94 DM	7/79	431.5	176½	177½	+14⅛	−2.76
Sharp Cpn. 6½ 88 DM	9/80	595	163⅞	164½	+1	−1.41
Uny Co. 6½ 85 DM	11/79	879.3	106⅞	107⅞	+0⅛	−3.08

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

AMERICAN QUARTERLIES

BBDO INTERNATIONAL

First quarter	1981 $	1980 $
Revenue	42.2m	39.4m
Net profits	2.74m	2.65m
Net per share	1.02	0.99

BELCO PETROLEUM

First quarter	1981 $	1980 $
Revenue	232.7m	211.5m
Net profits	26.25m	18.14m
Net per share	1.13	0.78

BLUE BELL

Second quarter	1980-81 $	1979-80 $
Revenue	380.8m	370.1m
Net profits	13.58m	23.52m
Net per share	1.08	1.87

BRIGGS & STRATTON

Nine months	1980-81 $	1979-80 $
Revenue	456.7m	529.4m
Net profits	21.7m	37.1m
Net per share	1.50	2.56

CABOT CORPORATION

Six months	1980-81 $	1979-80 $
Revenue	795.8m	734.0m
Net profits	58.72m	59.83m
Net per share	1.87	1.91

CHARTER COMPANY

First quarter	1981 $	1980 $
Revenue	1.17bn	1.14bn
Net profits	14.76m	59.05m
Net per share	0.47	2.08

CHUBB CORPORATION

First quarter	1981 $	1980 $
Net profits	23.1m	26.7m
Net per share	1.88	2.15

COCA-COLA

First quarter	1981 $	1980 $
Revenue	1.42bn	1.24bn
Net profits	100.1m	92.1m
Net per share	0.81	0.75

COMPUTER SCIENCES

Fourth quarter	1980-81 $	1979-80 $
Revenue	174.7m	134.5m
Net profits	5.75m	6.24m
Net per share	0.42	0.47

ADOLPH COORS

First quarter	1981 $	1980 $
Revenue	189.7m	176.4m
Net profits	3.04m	12.57m
Net per share	0.09	0.36

FUQUA INDUSTRIES

First quarter	1981 $	1980 $
Revenue	481.6m	379.7m
Net profits	9.27m	10.68m
Net per share	0.70	0.81

GATX

First quarter	1981 $	1980 $
Revenue	252.3m	229.0m
Net profits	18.25m	17.34m
Net per share	1.40	1.34

GENENTECH

First quarter	1981 $	1980 $
Revenue	3.91m	1.61m
Net profits	133,000	280,000
Net per share	0.02	0.04

GENERAL PUBLIC UTILITIES

First quarter	1981 $	1980 $
Revenue	523.8m	448.7m
Net profits	7.83m	17.1m
Net per share	0.13	0.28

DI GIORGIO

First quarter	1981 $	1980 $
Revenue	226.3m	222.7m
Net profits	1.91m	1.71m
Net per share	0.28	0.24

FRANK B. HALL

First quarter	1981 $	1980 $
Revenue	88.1m	73.9m
Net profits	8.85m	8.41m
Net per share	0.80	0.82

INTERNATIONAL FLAVORS

First quarter	1981 $	1980 $
Revenue	123.4m	121.8m
Net profits	15.16m	18.25m

INTERNORTH

First quarter	1981 $	1980 $
Revenue	1.14bn	938.4m
Net profits	117.0m	111.1m
Net per share	2.61	2.48

MCI COMMUNICATIONS

Fourth quarter	1981 $	1980 $
Revenue	71.8m	43.4m
Net profits	7.9m	5.21m
Net per share	0.11	0.10
Year		
Revenue	234.2m	144.3m
Net profits	21.11m	13.35m
Net per share	0.24	0.20

MALLINCKRODT

First quarter	1981 $	1980 $
Revenue	121.3m	112.0m
Net profits	10.12m	9.03m
Net per share	1.07	0.96

MONARCH MACHINE TOOL

First quarter	1981 $	1980 $
Revenue	34.7m	27.6m
Net profits	5.45m	2.63m
Net per share	1.53	0.75

PITTSTON

First quarter	1981 $	1980 $
Revenue	781.1m	608.1m
Net profits	16.73m	20.61m
Net per share	0.44	0.55

QUAKER OATS

Third quarter	1981 $	1980 $
Revenue	645.9m	626.8m
Net profits	28.8m	28.4m
Net per share	1.37	1.35
Nine months		
Revenue	1.98bn	1.82bn
Net profits	70.4m	71.2m
Net per share	3.49	3.54

RELIANCE GROUP

First quarter	1981 $	1980 $
Revenue	324.2m	330.7m
Net profits	19.8m	22.7m
Net per share	2.75	2.69

RORER GROUP

First quarter	1981 $	1980 $
Revenue	71.6m	64.0m
Net profits	5.31m	5.16m
Net per share	0.30	0.29

STANDARD BRANDS

First quarter	1981 $	1980 $
Revenue	733.0m	679.0m
Net profits	21.3m	18.8m
Net per share	0.74	0.66

STANDARD BRANDS PAINT

Six months	1980-81 $	1979-80 $
Revenue	102.1m	91.9m
Net profits	6.77m	6.52m
Net per share	1.28	1.23

UNITED BRANDS

Third quarter	1981 $	1980 $
Revenue	964.0m	821.0m
Net profits	3.3m	3.9m
Net per share	0.26	0.30

WILLIAMS COMPANIES

First quarter	1981 $	1980 $
Revenue	495.6m	479.3m
Net profits	51.6m	52.64m
Net per share	1.73	1.30

Wm. WRIGLEY

First quarter	1981 $	1980 $
Revenue	148.9m	122.6m
Net profits	6.25m	6.16m
Net per share	0.86	0.73

Daimler-Benz to pay more for U.S. heavy truck maker

BY KEVIN DONE IN FRANKFURT

DAIMLER-BENZ has reached final agreement on the terms for the takeover of Freightliner, the truck manufacturing subsidiary of Consolidated Freightways of the U.S. The West German concern is to pay around $260m for Freightliner, or $35m more than was originally envisaged.

In the letter of intent agreed by the two companies at the beginning of March, it was planned that Freightways would take 15 per cent of any profits Freightliner made over the next six years. Freightliner holds about 9 per cent of the U.S. market for heavy trucks.

The definitive agreement signed in Stuttgart yesterday excludes any profit-sharing deal, apparently because of Daimler-Benz's wish to establish a clearly defined relationship with its new susbidiary from the outset.

As a result it has had to increase the offer price considerably, however, to $260m, which will be paid in part when the formalities of the deal are completed, with the remainder in subsequent years.

The take-over of Freightliner marks a big step by Daimler-Benz into the U.S. market. Its U.S. commercial vehicles activities have hitherto been concentrated on gaining a modest foothold in the U.S. market for medium-size trucks. It already has an assembly plant in Virginia with a capacity of 6,000 trucks a year, and owns Euclid, the off-road truck-maker, acquired in 1977.

Freightliner sold about 10,000 trucks in North America last year. It sustained a loss of $16m on a turnover of $590m.

Included in the Daimler-Benz take-over are the two Freightliner plants and headquarters in Portland, Oregon, with further plants in Indianapolis, Indiana, Mt. Holly and Gastonia, North Carolina, and Fremont, California, plus the Canadian subsidiary with an assembly plant in Vancouver, British Columbia.

Matra lifts income

BY OUR PARIS STAFF

MATRA, the French defence and electronics concern, raised its net profits by more than a third last year at parent company level to FFr 211m ($40m) from FFr 150m. The figures were after deduction for employees' participation.

Results for the group, which late last year took effective control of the Hachette publishing concern, are expected to be of roughly the same order as the parent company figures.

The company proposes a net dividend of FFr 50 per share, after a three-for-one scrip issue. The previous year's dividend was FFr 120.

Turnover for the parent company rose last year to FFr 2.9bn from Fr 2.3 bn and the figure is expected to reach Fr 4.2bn this year.

Jason Crisp on the talks between JVC and three major electronics groups

Europe plugs into Japanese video

AT LEAST three European companies are negotiating with the Japanese Victor Company (JVC) for licences to manufacture video-recorders in Europe. JVC is stepping up its capacity from 120,000 recorders a month to 150,000, but is still unable to meet the rapidly growing demand.

The three companies are Thorn-EMI in the UK, AEG-Telefunken in Germany and Thomson-Brandt in France. All three deny reports in the Japanese press that a deal has been signed but confirm that discussions are continuing.

Negotiations are likely to be completed in the next few weeks.

The unexpectedly rapid growth in sales of video-recorders in Europe has made local manufacture much nearer. A wide range of companies have licences to sell JVC's video-recorders using the VHS system, including the three companies now in talks with JVC.

The two other main video-recording systems are Sony's Beta system, which is also licensed to Sanyo and Toshiba, and the Philips VCR, licensed by Grundig of Germany, in which Philips has a large stake.

According to a recent study by Mackintosh ISIS Consumer Electronics Service, the VHS system accounts for about 60 per cent of video-recorders shipped to Europe. The Beta system accounts for a little more than 25 per cent, leaving Philips and Grundig with the remaining 15 per cent. The three systems are incompatible.

AEG's home entertainment electronic subsidiary, Telefunken, has been negotiating with both JVC and Philips to manufacture video-recorders in West Germany. AEG wants to start production in Berlin, where it is having to replace loss-making output in hi-fi's. A manufacturing presence in the main growth area of home entertainment is seen as a pre-condition for returning Telefunken to profitability.

One of AEG's main loss-making activities is the manufacture of televisions and home entertainment electronics. It is possible that AEG-Telefunken could choose to hedge its bets and manufacture both systems. In Japan, Sanyo, which originally was only producing Beta video-recorders, has started making VHS recorders as well.

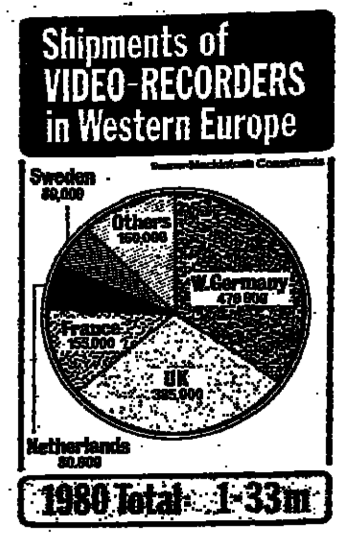
Thorn-EMI, which has always said it would eventually want to manufacture, is in an advanced stage of negotiations with JVC. However, agreement has not yet been reached on the amount of assembly which would be done by the company, the number of machines to be produced or the sourcing of local components.

Although a number of other companies market the VHS system in the UK—including JVC itself, Akai and National Panasonic—Thorn-EMI has the largest share of the market. The strength of video-recorder sales in the UK arises from the extensive operations of television rental companies. In Britain about 65 per cent of video-recorders are rented compared with fewer than 5 per cent in Germany.

UK trade estimates expect about 500,000 video-recorders to be sold this year, which is about the same number as the total installed base. According to Mackintosh, the total European market will grow by 50 per cent in 1981 to 2m shipments to the trade. It expects 2.7m units by 1982 and 4.5m by 1985.

The only video-recorders made in Europe at present are by Philips at its factory in Vienna and by Grundig in Nuremberg. Later this year Philips is to set up production at Krefeld in West Germany.

The problem facing JVC is that if it allows all three companies to manufacture, it may find it harder to keep its Japanese capacity fully loaded. However, European production initially is likely to be limited to final assembly and testing. Further vertical integration could be introduced slowly, according to industry observers.



Strong advance in sales and earnings for Pernod

BY DAVID WHITE IN PARIS

PERNOD RICARD, France's top drinks group, increased consolidated net earnings last year by almost 11 per cent to FFr 264.5m ($49m), on sales up by more than 17 per cent to FFr 6.1bn.

The results included eight months' figures from Austin Nicholls, the U.S. whiskey producer and wine and spirits importer which Pernod Ricard bought last year from the Liggett group.

The parent company, whose profit dropped slightly to FFr 86m from FFr 89m, proposes a dividend of FFr 16.70 per share, 15 per cent up on the previous year.

Cash flow for the group rose 14 per cent to FFr 376m last year, an increase which, it said, would help it to pursue its diversification.

While the overall French market for spirits dropped by 1 per cent last year, Pernod Richard strengthened the market for the anise-based aperitifs for which it is best known.

Despite the effect of poor weather conditions on sales of non-alcoholic drinks, this sector, a loss-maker for the group up to 1978, contributed 10 per cent of group operating profit, which climbed 11 per cent to FFr 511m.

On the export side, sales of anise drinks increased by 13 per cent in volume, notwithstanding the weakness of the British market.

Ennia sees slower profit growth

BY CHARLES BATCHELOR IN AMSTERDAM

A SLOWDOWN in the rate of profit growth of the past few years is forecast by Ennia and Amfas, two major Dutch insurance groups.

Ennia, which was formed from a merger of two companies in 1969, said it was approaching the end of the period in which it had benefited from the economies of the merger.

The recovery of its non-life division, which contributed considerably to the improvement in the 1980 result, would also slow, and earlier profits made on investment activities were being replaced by the need to make provisions for bad debts, particularly in the property sector.

For 1981 the company, which is number three in the Dutch insurance league, forecast a slight improvement in profits, after the 27 per cent rise to Fl 88.4m ($36m) at the net level last year.

Profit per share in 1980 rose 6 per cent to Fl 27.36. Gross receipts, comprising premiums and investment income, rose 12 per cent to Fl 2.5bn.

Ennia was assessing possible takeover candidates abroad but was still not ready to make a major acquisition, the board said. Only 5 per cent of life business is carried out outside the Netherlands, but 47 per cent of non-life business is abroad.

A "modest beginning" was made in some areas. Ennia took minority holding in new companies set up in Cyprus and the Dominican Republic, as well as majority holdings in Belgium and Spain.

Amfas, the fourth largest Dutch insurance group, said it expected its 1981 profit would not be lower than last year's Fl 42.1m. Unfavourable property market developments meant 1980 profits rose only 7 per cent compared with the original forecast of 15 per cent.

A large debtor in the property sector was declared bankrupt last year, and Amfas had to give financial aid to a property developer. The group booked a loss of Fl 13m on its activities in France because of problems with a local agent. A reorganisation is now under way but the company expects another small loss in France this year.

A 20 per cent increase in Amfas's share capital last year meant profit per share fell 10 per cent to Fl 17.48. Turnover rose 12 per cent to Fl 1.57bn.

Losses mount at Svenska Varv

By Westerly Christner in Stockholm

LOSSES continue to mount at Svenska Varv, the State-owned Swedish shipyard group. Last year the group deficit rose to SKr 1.46bn ($304m), a further deterioration of SKr 594m on 1979.

The deficit was attributed both to consolidation problems and a worsening in the cargo ship market. However, Svenska Varv expects a continued good return from orders in the offshore and energy markets, and, overall, the 1981 results should show a "somewhat improved return."

● Kone Corporation, the Finnish multinational company which manufactures lifts, materials handling engineering equipment and electronic instruments, succeeded "in re-establishing a rising profit trend after two unsatisfactory years," according to Mr. Pekka Herlin, the president, writes Lance Keyworth in Helsinki.

Net earnings last year were FM 21.59m ($5.1m) compared with FM 14.53m in 1979. A 10 per cent dividend was maintained.

Sharp gain for Spie-Batignolles

By Our Paris Staff

SPIE-BATIGNOLLES, the construction subsidiary of the French Empain - Schneider group, more than doubled its net consolidated profits last year to FFr 90m ($17.3m) compared with FFr 37.2m in 1979.

Turnover rose by 18 per cent from FFr 6.5bn to FFr 7.7bn. Cash flow amounted to FFr 310m.

The company says that these results were reached after putting aside FFr 93m for provisions against risks.

Spie-Batignolles added that it is continuing to grow rapidly this year. Turnover went up by 21.6 per cent in the first quarter.

● Peugeot SA, holding company of French automotive group, reported a loss of FFr 33.6m for 1980 against a profit of FFr 526.1m in 1979. The year-earlier figure included FFr 238.2m of non-recurring capital gains.

The company expects to post a consolidated loss for 1980 of about FFrs 2bn compared with a profit of FFr 1.12bn in 1979.

Peugeot said it expects to publish the full financial results of the holding company later this month and consolidated accounts at the beginning of June.

SBC makes satisfactory start to current year

BY JOHN WICKS IN ZURICH

SWISS BANK Corporation reports "satisfactory" operational profits for the first quarter of 1981. This mirrors recent statements from Union Bank of Switzerland and Credit Suisse, the country's two other leading banks.

The bank's balance sheet total rose by 1.9 per cent in the three months to SwFr 75.48bn ($36.46bn). Time deposits went up by SwFr 1bn and there was a SwFr 96m drop in sight deposits.

Swiss Volksbank, the fourth largest Swiss bank, reports a further narrowing of interest margins and says that earnings from commercial activities were lower. Commission business developed "according to plan." The bank, which also reports the large-scale move from sight to time deposits, experienced a 2.4 per cent expansion in its balance sheet total to SwFr 18.28bn.

Bank Leu, the smallest of the "big five," announces a fall in its domestic net interest earnings, but says that earnings from all other activities were satisfactory.

Since Leu has also booked a shift from sight to time deposits because of insufficient domestic savings and mortgage interest rates, it has "provisionally pulled the brake" on excessive balance sheet growth. In the 1981 first quarter, the increase was only SwFr 29m to SwFr 6.46bn.

German chemicals group ahead

INGELHEIM, — Boehringer-Ingelheim, the group of West German chemical companies held by C. H. Beohringer Sohn, increased consolidated sales in 1980 by 13 per cent to DM 2.86bn. The group predicts a 15 per cent rise in 1981, after an increase in first quarter turnover.

Herr Hubertus Liebrecht, the chairman said worldwide earnings rose 9.5 per cent to DM 54m in 1980. First quarter 1981 worldwide sales rose 22 per cent to DM 865m—mainly boosted by a 26 per cent rise in pharmaceutical product sales to DM 663m.

AP-DJ

Mercantile Mutual agrees counter-bid by QBE-Philp

BY OUR SYDNEY CORRESPONDENT

A BATTLE for Mercantile Mutual Insurance developed last night when the QBE Insurance-Burns, Philp Partnership made its expected counter-offer for the insurance house, valuing it at A$80.91m (US$93m). If the bid succeeds, the merged companies will have total assets of about A$500m.

This would make it one of the largest forces in the Australian insurance market, with combined net insurance premiums exceeding A$200m. Mercantile Mutual directors have recommended acceptance of the offer.

QBE, which is 50 per cent-owned by Burns, Philp, the diversified trading company, is making a formal cash-share bid, compared with FAI Insurances original straight cash takeover offer of A$4 a share, made about two weeks ago. Burns Philp and QBE between them already have a 20.16 per cent stake in Mercantile.

The A$2 cash plus one QBE share bid values Mercantile stock units at A$5 each, based on QBE's closing price of A$3 yesterday. Mercantile was trading at A$3.90 yesterday on the Sydney Stock Exchange.

Much of the takeover's success rests on the sharemarket's attitude to the QBE share price, because of the large share element in the offer.

QBE is also offering a cash alternative of A$ 4.10 a share, which is pitched just above the FAI offer, or a straight nine-for-five share exchange. New shares issued will not rank for the final dividend in the current financial year.

Mercantile suggested late on Monday the possibility of a rival takeover offer by QBE, when it said talks were being held between the two companies.

Mr. Lawrence Adler, the chairman of FAI insurances, said last night it was too early to decide whether FAI would sell, or what course of action would be taken. FAI has about nine per cent of Mercantile's issued capital.

In a letter to Mr. M. C. Davis, the chairman of Mercantile Mutual, Mr. J. Burns, the chairman of QBE, said the directors of his company felt it was best to seek economies of scale in the insurance industry, because conditions were difficult and it could not be assumed they would improve in the foreseeable future.

QBE said it did not expect the purchase to result in any significant rise in earnings per share in 1981-82. The company was, assuming no significant deterioration in claims experience, likely to maintain its dividend rate on the expanded capital.

Murdoch group buys Angus and Robertson

By Our Sydney Correspondent

NEWS CORPORATION, the publishing and printing group headed by Mr. Rupert Murdoch, has considerably strengthened its book publishing interests with the purchase of Angus and Robertson, the Sydney-based publishing house.

The price paid for Australia's oldest book publishing company was not disclosed. However, Angus and Robertson's parent company, IPEC Holdings, is suggested here to have been seeking A$4m (US$4.6m).

The sale attracted widespread local and international interest, with 16 local groups posting formal takeover offers.

As well as publishing facilities, the company has a chain of bookshops and operations in the UK and Singapore.

Mr. Richard Walsh, Angus and Roberton's chief executive, said he believed the association with the News group, specifically with its book publishing subsidiary, Bay Book, would considerably strengthen the company's opportunities for Australian and international expansion.

There would be no immediate changes of staff or authority, he said, adding that there would be a "cross-pollination" of the two publishing houses.

Angus and Robertson receives more than 2,000 manuscripts annually, and publishes about 200 titles and re-issues a year. Over 1,000 titles are now available and a further 250 are in production.

As well as substantially boosting the News book publishing interests, the takeover will have a part to play in relation to the group's other media interests.

The company will have a greater range of material to draw on for the production of television programmes and serials to service the News group's television interests in Australia. Mr. Murdoch's film making interests will also benefit from the additional material.

The annual turnover of Bay Books is unknown. However, it is considerably larger than that of Angus and Robertson, which last year returned local sales of A$4.5m and total sales, including international operations, of A$6.5m.

Bay Books specialises in the publication of glossy titles — which are fewer in number but generally more expensive than those published by Angus and Robertson. Some of the most recently published Bay Book titles are the New Oxford Illustrated Dictionary, the Encyclopedia of Australian Gardening and the Sesame Street Library. It has considered expansion into the U.S. and has strong reciprocal rights with the U.S. publishing house, Funk and Wagnall.

Angus and Robertson started book publishing in 1886.

Property purchases by Supreme

By Wong Sulong in Kuala Lumpur

SUPREME CORPORATION, the diversified property, plantation and finance group, has announced several major property acquisitions, worth close to 170m ringgit (US$74m). The transactions are based on the issue of paper, involving 56.1m Supreme shares, valued at 3 ringgit each.

Supreme's paid-up capital is to be increased to 125m shares of 1 ringgit each, and notice to increase the group's authorised capital from 100m ringgit to 1bn ringgit has been served.

Supreme is proposing to buy up the entire issued capital of P. M. Holdings, of 27m shares, valued at 84m ringgit, by issuing some 28m Supreme shares. P. M. Holdings has 310 acres of land in Malacca Town, for which plans for housing and industrial use have been approved.

The entire capital of Sumber Realty, of 5m shares, valued at 22.7m ringgit, is also to be taken up, through the issue of 7.58m Supreme shares.

Mr. Tan Koon Swan, Supreme's managing director, and his family hold 82 per cent of Sumber Realty's equity. Sumber owns 19 acres of land at the resort of Batu Ferringhi on Penang Island.

In addition, Supreme proposes to take up 441 acres of housing and industrial land, in various parts of Malaysia, worth over 62m ringgit, in exchange for some 21m new shares.

Supreme said the various acquisitions would increase the group's housing land from 300 acres to over 1,100 acres and would enable the group to continue property development for over 10 years.

The company began as a tin mining concern (Sungei Way Dredging), but under Mr. Tan Koon Swan, it diversified into other areas when tin deposits were exhausted some five years ago.

In the past year, its shares have been actively sought, pushing the price from around 2 ringgit to over 8 ringgit.

Mr. Tan is a leading Chinese businessman, and a member of Parliament, and is also head of the fast-expanding Multi-Purpose Holdings, the financial arm of the Malaysian Chinese Association, the Chinese partner in the Government.

Southern Sun more than doubles profit

BY OUR JOHANNESBURG CORRESPONDENT

SOUTHERN SUN Hotel Holdings, the 69 per cent-owned subsidiary of South African Breweries which operates hotels in Southern Africa and Mauritius, more than doubled pre-tax profits in the year to March 31. The profit before tax rose by 123 per cent, from R17.06m to R38.04m ($46.6m), while turnover advanced 61 per cent, from R87.5m to R140.8m ($172.3m).

Mr. Sol Kerzner, managing director, attributes the improved results to a better economic environment and marketing measures, which led to higher occupancy rates. The group's average occupancy was 79 per cent, which Mr. Kerzner, says, is ahead of the industry.

A major contributor to the profit improvement was the inclusion of the first full year of operations at the Sun City Casino complex and the Mmabatho Sun Hotel complex in the quasi-independent South African sate of Bophuthatswana.

Mr. Kerzner warned, however, that as the South African economy was likely to grow at a slower rate this year, and that it was unlikely that occupancy rates could be increased further, this year's rate of growth would be lower than last year's.

A total dividend of 30 cents has been declared from earnings per share of 43.5 cents. The year to March 31, 1980, saw a dividend of 16.5 cents and earnings of 23.6 cents.

Sharp advance by Afcol

BY OUR JOHANNESBURG CORRESPONDENT

ASSOCIATED Furniture Companies (Afcol), South African Breweries' 56.3 per cent-owned furniture and particle board manufacturing arm, increased its pre-tax trading profits by 97 per cent to R29.9m ($36.6m) in the year to March 31. Turnover rose 36 per cent, from R142.3m to R193.8m ($237m).

The growth in demand, which the management attributes to the release of demand pent up between 1974-78, was greater than expected. A buoyant building industry and improved consumer incomes, said the Board, indicated that furniture sales would continue to grow in 1981, but at a lower rate. They added that there was some evidence from retail sources of a slowing down in the growth rate, but that it was too early to tell whether this was a cyclical movement, or resulted from recent changes in credit regulations.

Last year Afcol increased its manufacturing capacity, and it intends to augment it this year. A total dividend of 61 cents has been declared from earnings of R121.2 cents a share. In the previous year, earnings were 57.6 cents a share, and the dividend total 29 cents.

Premier earns and pays more

BY OUR JOHANNESBURG CORRESPONDENT

PREMIER GROUP, one of South Africa's largest food manufacturers and a 51 per cent-owned subsidiary of Associated British Foods, increased pre-tax profits by 43 per cent to R84.3m ($103m) in the year to March 31 from R58.8m in the previous year on turnover up by 27 per cent from R946.1m to R1.2bn ($1.47bn).

Mr. Tony Bloom, the chairman, attributed the profit improvement to higher sales, tight control of costs, greater utilisation of spare capacity, elimination of losses in the egg division, and lower interest rates on foreign and domestic borrowings.

The dividend cover has been increased from 2.8 to 3.1 times to meet increasing cash requirements of existing operations at a time of high inflation, and to provide for future growth and development. The total dividend is 51 cents, against 39 cents from earnings of 159 cents a share, compared with 110 cents.

Mr. Bloom says that the current year's outlook is good despite increasing competition and sharply rising interest rates. Premier has budgeted to exceed its long term objective of 20 per cent annual growth in earnings per share.

Application has been made to the Council of The Stock Exchange in London for the £50,000,000 Loan Stock 1986 (the "Stock") to be admitted to the Official List for quotation in the Gilt-edged market.

The Stock will be available either in registered form, transferable in amounts and multiples of one penny, or, at the option of the holder, in bearer form, represented by Bearer Bonds which will be available in denominations of £1,000 and £10,000. Stock in registered form may be exchanged for Bearer Bonds and vice versa at any time after 30th July, 1981. Renounceable allotment letters (partly paid) in respect of the Stock will be despatched on 14th May, 1981. Certificates in respect of Stock in registered form and Bearer Bonds in respect of Stock in bearer form will be available on 30th July, 1981 provided the balance of the moneys payable has been duly paid.

The application list will open at 10.00 a.m. on Friday, 8th May, 1981 and will close later the same day.

This Prospectus includes information given in compliance with the Regulations of the Council of The Stock Exchange in London, for the purpose of giving information to the public with regard to the Republic of Finland ("Finland" or the "Republic") and the Stock. The Republic has taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. The Republic accepts responsibility accordingly.

Dated 5th May, 1981

Republic of Finland

ISSUE BY TENDER ON A YIELD BASIS OF

£50,000,000 Loan Stock 1986

Payable as to £30 per cent. on application and as to the balance not later than 2nd July, 1981

Interest payable half yearly on 1st May and 1st November

The Issue has been underwritten by

Morgan Grenfell & Co. Limited

Baring Brothers & Co., Limited — **County Bank Limited** — **Hambros Bank Limited**

Hill Samuel & Co. Limited — **Kleinwort, Benson Limited** — **Lloyds Bank International Limited**

Samuel Montagu & Co. Limited — **S. G. Warburg & Co. Ltd.**

Saudi International Bank
AL-BANK AL-SAUDI AL-ALAMI LIMITED

Yamaichi International (Europe) Limited

Bank of Helsinki Ltd. — **Kansallis-Osake-Pankki** — **Postipankki**

Union Bank of Finland Ltd.

Ministry of Finance
Snellmaninkatu 1A
SF-001 70 Helsinki 17
Finland

Receiving Banker
National Westminster Bank Limited
New Issues Department
Drapers Gardens
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London EC2P 2BD

Registrar and Transfer Office
National Westminster Bank Limited
Registrar's Department
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Bristol BS99 7NH

Principal Paying and Exchange Agent
National Westminster Bank Limited
Stock Office Services
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Brokers
W. Greenwell & Co.
Bow Bells House
Bread Street
London EC4M 9EL
and
The Stock Exchange in London

UNDERWRITING ARRANGEMENTS

Under an Underwriting Agreement dated 5th May, 1981, Morgan Grenfell & Co. Limited, Baring Brothers & Co., Limited, County Bank Limited, Hambros Bank Limited, Hill Samuel & Co. Limited, Kleinwort, Benson Limited, Lloyds Bank International Limited, Samuel Montagu & Co. Limited, S. G. Warburg & Co. Ltd., Saudi International Bank, Yamaichi International (Europe) Limited, Bank of Helsinki Ltd., Kansallis-Osake-Pankki, Postipankki and Union Bank of Finland Ltd. have agreed with the Republic to underwrite the issue of the Stock on the basis that if applications at Gross Redemption Yields at or lower than the Underwriting Yield are received for less than the total nominal amount of the Stock, the Stock will be issued at the Underwriting Yield and the amount of Stock for which applications are not so received will be allotted to the Underwriters.

For the purposes of this Prospectus (i) the Underwriting Yield shall mean the sum of 0·75 per cent. and the Gross Redemption Yield, rounded up to two places of decimals, on 12 per cent. Treasury Stock 1986 calculated by reference to the price of such Treasury Stock on The Stock Exchange, London at 3.00 p.m. on Thursday, 7th May, 1981 (for settlement on the following business day), such price to be determined by Morgan Grenfell & Co. Limited to be the arithmetic mean of the bid and offered prices quoted on a dealing basis by three Jobbers in the Gilt-edged market, and (ii) Gross Redemption Yields will be expressed as percentages and will be calculated on the basis set out under "Calculation of Gross Redemption Yield" below.

It is intended that notice of the Underwriting Yield will be published in the *Financial Times* on Friday, 8th May, 1981.

Morgan Grenfell & Co. Limited, on behalf of the Underwriters, and the Republic have the right in certain circumstances to terminate the Underwriting Agreement, which is subject to certain conditions, and accordingly, if such rights are exercised or the Underwriting Agreement does not become unconditional, no application will be accepted.

DETERMINATION OF RATE OF INTEREST, ISSUE PRICE AND BASIS OF ALLOTMENT

If the issue is undersubscribed as a result of applications at or lower than the Underwriting Yield being received for less than the total nominal amount of the Stock, the Stock will be issued at the Underwriting Yield. Subject to the terms of this Prospectus, such applications will be accepted in full and the balance of the Stock not so applied for will be allotted to the Underwriters. Applications at Gross Redemption Yields higher than the Underwriting Yield will be rejected.

If the issue is oversubscribed as a result of applications at or lower than the Underwriting Yield being received for more than the total nominal amount of the Stock, the Stock will be issued at the Allotment Yield (as defined below). Subject to the terms of this Prospectus, applications at Gross Redemption Yields lower than the Allotment Yield will be accepted in full and applications at the Allotment Yield may be accepted in part only. Applications at Gross Redemption Yields higher than the Allotment Yield will be rejected. The Allotment Yield will be such Gross Redemption Yield as is equal to the lowest Gross Redemption Yield at which applications (including applications at yields lower than that yield) are received for the total nominal amount of the Stock.

The Stock will have attached such rate of interest and be issued at such price as will result in the Stock having a Gross Redemption Yield equal to the Underwriting Yield (if the issue is so undersubscribed) or the Allotment Yield (if the issue is so oversubscribed). The rate of interest will be an integral multiple of one quarter of one per cent. and will be as high as possible consistent with an issue price as near as possible to but not more than par. The issue price will be expressed as a percentage rounded down to four places of decimals.

All Stock for which applications are accepted will bear the same rate of interest and be allotted at the same price. It is expected that the rate of interest, the issue price and the basis of allotment will be published in the *Financial Times* on 11th May, 1981. Successful applicants will be notified by letter to be despatched not later than 11th May, 1981 of the amount of Stock in respect of which their applications have been accepted.

APPLICATION PROCEDURE

All applications must be made in the form of the Tender Form set out below and must be lodged with National Westminster Bank Limited, New Issues Department, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD not later than 10.00 a.m. on Friday, 8th May, 1981 and must comply with the provisions of "Terms of Payment" below.

Applications for Stock must be for a minimum of £1,000 nominal amount of Stock and thereafter for the following multiples of Stock:—

Amount of Stock applied for	*Multiple*
£1,000—£10,000	£1,000
£10,000—£50,000	£5,000
£50,000 or greater	£25,000

Each application must be for one amount and must state the Gross Redemption Yield of the Stock for which application is made expressed as a percentage to two places of decimals. Applicants wishing to tender at the Underwriting Yield should tick Box A on the Tender Form (see "Underwriting Arrangements" above).

Morgan Grenfell & Co. Limited on behalf of the Republic reserves the right to reject any application and to accept any application in part only. If any application is not accepted, the amount paid on application will be returned by post at the risk of the person submitting the application and if any application is accepted for a smaller amount of Stock than that applied for, the balance of the amount paid on application will be so returned, and in the meantime all such amounts will be held in a separate account.

Brokerage of ¼ per cent. of the nominal amount of Stock allotted will be paid by the Republic to recognised Banks or Stockbrokers (see "Terms of Payment" below) on allotments made in respect of Tender Forms bearing their stamp.

Acceptance of applications will be conditional upon the Council of The Stock Exchange admitting the Stock to the Official List on or before 14th May, 1981.

No applications will be accepted if the Underwriters or the Republic exercise their respective rights to terminate the Underwriting Agreement or if the Underwriting Agreement does not become unconditional (see "Underwriting Arrangements" above).

TERMS OF PAYMENT

Each application, unless made by a recognised Bank or Stockbroker taking advantage of the alternative method of payment, must be accompanied by a cheque made payable to National Westminster Bank Limited and crossed "Finland Loan" representing payment at the rate of £30 per cent. of the nominal amount of the Stock applied for. Such cheques must be drawn on a branch in the United Kingdom, the Channel Islands or the Isle of Man of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques to be cleared through the facilities provided for the members of those Clearing Houses.

Morgan Grenfell & Co. Limited on behalf of the Republic reserves the right to instruct National Westminster Bank Limited to retain the relevant allotment letters and surplus application moneys (if any) pending clearance of applicants' cheques.

The alternative method of payment is available in respect of payments of £10,000 or more only to recognised Banks or Stockbrokers who irrevocably engage to pay National Westminster Bank Limited, New Issues Department, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD, for credit to the account designated "Finland Loan" by 10.00 a.m. on Thursday, 14th May, 1981, the amount in Town Clearing Funds representing payment at the rate of £30 per cent. of the nominal amount of the Stock in respect of which their applications shall have been accepted.

The balance of the amount payable on the Stock allotted must be paid on or before 2nd July, 1981. Failure to pay such balance when due will render all amounts previously paid liable to forfeiture and the allotment liable to cancellation. Interest at the rate of 2 per cent. above the Base Rate of National Westminster Bank Limited may be charged on such balance if accepted after its due date. Such balance may be paid in advance of its due date but any amount so paid will not bear interest and no discount will be allowed.

The expression "recognised Bank or Stockbroker" shall mean any organisation which is a Recognised Bank for the purposes of the Banking Act 1979 and any firm of Stockbrokers which is a member of The Stock Exchange of the United Kingdom and the Republic of Ireland and such other banks or brokers as Morgan Grenfell & Co. Limited on behalf of the Republic shall at its absolute discretion agree for the purposes of the Issue.

The expression "Town Clearing Funds" shall mean a cheque or bankers payment for £10,000 or more drawn on a Town Clearing Branch of a bank in the City of London.

DELIVERY

Renounceable allotment letters (partly paid) in respect of Stock allotted will be despatched on 14th May, 1981 by first class post at the risk of the person submitting the application in accordance with the instructions stated on the Tender Form.

Allotment letters may be split in accordance with the instructions contained therein into denominations or multiples of £100. A letter cannot be split if the balance of the amount payable on the Stock is overdue.

Unless a duly renounced allotment letter with the registration application form duly completed is received by National Westminster Bank Limited, New Issues Department on or before 16th July, 1981, the Stock represented by such allotment letter will be registered in the name of the original allottee and thereafter Stock in registered form will be transferable only by instrument of transfer.

Allotment letters will provide for Stockholders to elect to take delivery of Stock in bearer rather than registered form. Stock in bearer form will be represented by Bearer Bonds which will be available in denominations of £1,000 and £10,000.

Each Stockholder who elects in the allotment letter to receive Bearer Bonds may elect to receive them in one of the three following ways:—

(a) By collection from the offices of National Westminster Bank Limited, Stock Office Services, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2ES.

(b) By post at the risk of the applicant. National Westminster Bank Limited will insure any package destined for an address in the United Kingdom provided a cheque is enclosed with the allotment letter made out for 50p per £1,000 nominal amount of Bearer Bonds to be sent (minimum payment £3). Insurance rates for other countries will be quoted on request.

(c) By delivery to an existing account with Euro-clear Clearance System Limited or CEDEL S.A.

Bearer Bonds are expected to be available for delivery on and after 30th July, 1981.

Stock Certificates, in respect of Stock in registered form, will be despatched to the registered holders (in the case of joint holdings to the first named) at their risk and at their registered addresses by National Westminster Bank Limited, on 30th July, 1981. After 30th July, 1981 allotment letters will cease to be valid for any purpose.

CALCULATION OF GROSS REDEMPTION YIELD

Gross Redemption Yields will be calculated on the basis indicated by the Joint Index and Classification Committee of the Institute and Faculty of Actuaries as reported in the *Journal of the Institute of Actuaries* Vol. 105 Part 1, 1978, page 18 as follows:—

"Redemption yields are calculated taking accrued interest as part of the price and using a true compound interest formula i.e. finding the value of v to give $f(v)=0$ where

$$f(v)=v^{p}\cdot\left(C_1+C\frac{(1-v^{n})v}{(1-v)}+Rv^{n}\right)-P-\sum_{t} B_t v^{b_t}$$

and v is the *discounting factor* per period (e.g. half-year),

R is the redemption amount,

C is the coupon amount per period,

C_1 is the actual coupon due at the next payment date (which may be zero if the stock is already quoted 'ex dividend', or may be a first fractional payment),

n is the integral number of periods till redemption from the next payment date,

p is the fractional period till the next payment date,

P is the price actually payable (with 'accrued interest' not 'stripped out', but, for shorts, added in),

B_1, B_2 etc. are outstanding calls on a partly-paid stock,

b_1, b_2 etc. are the fractional periods till these calls are due.

When the root of $f(v)$ has been found the gross yield, y, convertible half-yearly, is obtained from

$y=200(1/v^{k/2}-1)$ per cent.

where k is the frequency of coupon payment per year.

Where the stock has a range of optional redemption dates the earliest or latest is used, whichever gives the lower redemption yield."

PARTICULARS OF THE STOCK

The issue of the £50,000,000 Loan Stock 1986 (the "Stock") of the Republic was authorised by the Council of State on 23rd April, 1981 and will be constituted by a Deed Poll to be entered into by the Republic. The following is a summary of, and is subject to, the detailed provisions of the Deed Poll, copies of which will be available for inspection at the offices of the Registrar and the Paying Agents referred to below.

Status

The Stock will be a direct, unconditional and general obligation of the Republic and will rank *pari passu* with all other unsecured Indebtedness of the Republic from time to time outstanding. "Indebtedness" means all indebtedness of the Republic in respect of moneys borrowed by the Republic and guarantees given by the Republic for moneys borrowed by others.

Negative Pledge

So long as any of the Stock shall be outstanding, the Republic shall not create on any of its present or future revenues or assets, any mortgage, pledge or other charge to secure any primary obligation or guarantee of any obligation for money borrowed (including bonds) heretofore or hereafter incurred by the Republic (except for any mortgage, pledge or other charge on property purchased by the Republic as security for all or part of the purchase price thereof), unless the Stock shall be secured by such mortgage, pledge or other charge equally and rateably with such other obligation so secured, and the instrument or the enactment creating such mortgage, pledge or other charge shall expressly so provide.

Interest

The Stock will bear interest from 14th May, 1981 at a rate per annum to be determined in accordance with "Determination of Rate of Interest, Issue Price and Basis of Allotment" above. Interest will be payable (less, where applicable, United Kingdom income tax) by equal half-yearly instalments on 1st May and 1st November (the "Interest Payment Dates") in each year except that the first payment of interest in respect of the period from 14th May, 1981 (calculated on the amount for the time being paid up on the Stock and on the basis of the number of days elapsed and a 365 day year) will be made on 1st November, 1981. Interest will cease to accrue on the Stock on the due date for redemption thereof unless payment of principal is improperly withheld or refused.

Form

The Stock will be issued in registered form (hereinafter referred to as "Registered Stock"). Subject as hereinafter provided, Registered Stock may be exchanged in nominal amounts of £1,000 or integral multiples thereof for Stock in bearer form (hereinafter referred to as "Bearer Stock") and Bearer Stock may be exchanged for Registered Stock. Bearer Stock will be represented by bearer bonds which will be available in denominations of £1,000 and £10,000 each (the "Bearer Bonds") and on issue an interest coupon (a "Coupon") will be attached to each Bearer Bond in respect of each Interest Payment Date following the date of issue of such Bearer Bond, provided that, in the case of a Bearer Bond issued pursuant to an application for exchange received between the day following a Record Date (as hereinafter defined) and the immediately succeeding Interest Payment Date (inclusive), no Coupon will be attached in respect of such Interest Payment Date.

Applications for such exchange may be made at any time on or before 16th July, 1981 or at any time on or after 30th July, 1981. Applications made on or before 16th July, 1981 must be made in accordance with the instructions contained in the allotment letter which will be despatched to persons to whom Stock is allotted (see "Delivery" above). On or after 30th July, 1981, applications for such exchange shall be made on the forms available at the specified offices of each of the Registrar, the Exchange Agent, the Principal Paying Agent and the Paying Agents referred to below and shall be made by the registered holders of Registered Stock or the holders of Bearer Bonds, as the case may be, lodging such forms duly completed at the specified office of the Exchange Agent. If any such application is lodged on or before 30th September, 1981, no charge will be made in respect of such exchange; after 30th September, 1981 such exchange will only be made on payment of such costs and expenses as may be incurred in connection therewith.

An application to exchange Registered Stock for Bearer Bonds shall have attached thereto the Stock Certificate(s) to which such application relates and an application to exchange Bearer Bond(s) for Registered Stock shall have attached thereto the Bearer Bond(s) to which such application relates together with all unmatured Coupons appertaining thereto. Failing presentation of all unmatured Coupons appertaining to any Bearer Bond, no exchange shall be made in respect thereof. In the case of an application received during the period commencing on the day following a Record Date and expiring on the day before the next Interest Payment Date, a Coupon falling due for payment on such Interest Payment Date shall, for the purposes of this paragraph, be deemed to have matured. If the Stock Certificate attached to an application for the exchange of Registered Stock for Bearer Bonds relates to a greater nominal amount of Stock than that in respect of which application for exchange is made or relates to a nominal amount of Stock which is not an integral multiple of £1,000, the balance of such Stock will remain in registered form and a Stock Certificate will be issued to the holder in respect thereof. All applications for the exchange of Registered Stock for Bearer Bonds and vice versa will be irrevocable. The exchange shall take effect on receipt by the Exchange Agent of a duly completed exchange form.

The initial Exchange Agent is National Westminster Bank Limited and its specified office is at Stock Office Services, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2ES or such other place or places in London as the Republic may from time to time agree and notify to Stockholders in accordance with "Notices" below. The Republic reserves the right to terminate the appointment of the Exchange Agent provided that no such termination shall take effect until a new Exchange Agent having a specified office in London has been appointed and notice of whose appointment has been given to Stockholders in accordance with "Notices" below.

Bearer Bonds issued in exchange for Registered Stock will be available for delivery at the specified office of the Exchange Agent and Stock Certificates in respect of Registered Stock issued in exchange for Bearer Bonds will be despatched, in each case within 3 days of receipt of the relevant application duly completed, in accordance with the instructions contained in the application.

Transfer

The Register and Transfer Office for the Registered Stock will be at the specified office of the Registrar. The initial Registrar is National Westminster Bank Limited and its specified office is at Registrar's Department, P.O. Box 82, 37 Broad Street, Bristol BS99 7NH, or such other place or places in Great Britain as the Republic may from time to time agree and notify to Stockholders in accordance with "Notices" below. The Republic reserves the right to terminate the appointment of the Registrar provided that no such termination shall take effect until a new Registrar having a specified office in Great Britain has been appointed and notice of whose appointment has been given to Stockholders in accordance with "Notices" below. The Registered Stock will be transferable in amounts and multiples of one penny by an instrument in writing as if the Stock were a security to which Section 1 of the Stock Transfer Act 1963 of Great Britain applied.

The Bearer Bonds will be transferable by delivery.

Redemption

(a) Mandatory Redemption
The Republic will redeem the Stock (unless previously redeemed or purchased and cancelled) at par on 1st May, 1986.

(b) Purchases
The Republic may at any time purchase Stock in the open market at any price or by private agreement at a price (exclusive of accrued interest and expenses) not exceeding 115 per cent. of the middle market quotation of the Stock on The Stock Exchange in London (or, failing such quotation, on such other stock exchange on which the Stock is listed for the time being) at the close of business on the last business day before the date of purchase, but not otherwise.

(c) Cancellation
Stock so redeemed or purchased (with all unmatured Coupons attached thereto in the case of Bearer Bonds) shall be cancelled forthwith and shall not be available for reissue.

Payments

In the case of Registered Stock, payments of principal and interest will be made in pounds sterling by warrant, drawn on a Town Clearing Branch of a bank in the City of London, which will be sent at the Stockholder's risk by post to persons who are registered as Stockholders at the close of business on the relevant Record Date or to their nominated agents and made payable to such Stockholders. In the case of joint holders, the warrant (made payable to all such holders) will be sent to the first named unless instructions to the contrary are given in writing. The "Record Date" shall mean the thirtieth day before an Interest Payment Date but should such thirtieth day fall on a day on which the specified office of the Registrar is not open for business then the Record Date shall mean the first day thereafter on which the specified office of the Registrar is open for business.

In the case of Bearer Stock, payments of principal will only be made against surrender of the Bearer Bonds and, subject as mentioned below, payments of interest will only be made against surrender of Coupons, at the specified office of the Paying Agent in London in pounds sterling or, at the option of the bearer, at the specified office of any other Paying Agent, by a cheque in pounds sterling drawn on, or by transfer to an account maintained by the payee with, a bank in London, subject in each case to any laws or regulations applicable thereto.

Bearer Bonds should be surrendered for redemption together with all unmatured Coupons, failing which the face value of any missing unmatured Coupon (or, in the case of partial payment in respect of any Bearer Bond being made, the proportion of such face value which the amount of the partial payment bears to the principal amount due in respect of the Bearer Bond) will be deducted from the principal sum due for payment. Any amounts of principal so deducted will be paid in the manner mentioned in the preceding paragraph against surrender of the relevant missing Coupons at any time before the expiry of a period of 10 years after the due date for such redemption, whether or not such Coupons would otherwise become void pursuant to "Prescription" below.

If the due date for payment of any amount of principal or interest in respect of any Bearer Bond or Coupon is not a business day, then the holder thereof shall not be entitled to payment of such amount until the next following business day and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph "Payments", the expression "business day" means any day on which banks are open for business in the place where the specified office of the Paying Agent at which the Bearer Bond or Coupon is presented for payment is situated and (in the case of payment by transfer to an account maintained by the payee in London as referred to above) on which dealings in pounds sterling may be carried on both in London and in such place.

If the redemption date for any Bearer Bond is not an Interest Payment Date, interest accrued since (and including) the last preceding Interest Payment Date will be paid only to the holder of the relevant Bearer Bond.

The initial Paying Agents and their specified offices are listed above. The Republic will at all times maintain a Paying Agent in London and in one country in Europe other than the United Kingdom.

Taxation

All payments of principal and interest made by the Republic in respect of the Stock will be made without withholding or deduction for or on account of any present or future taxes, duties, fees, assessments or other charges of whatsoever nature, now or hereafter imposed or levied on the Stock or the holder thereof or of any Coupon by or on behalf of the Republic or any political sub-division or taxing authority thereof or therein. The foregoing shall not apply to any such withholding or deduction payable by or on behalf of a holder of Stock or a holder of a Coupon who is liable to such taxes, duties, fees, assessments or other charges in the Republic on such payment of principal or interest, as the case may be, by reason of any relationship with or activity within the Republic other than his ownership of such Stock or Coupon as the case may be.

Events of Default

If:—

(i) the Republic shall default in any payment of interest in respect of the Stock or any part of it and such default shall not have been cured by payment thereof within 30 days; or

(ii) the Republic shall default in the performance of any other covenant in respect of the Stock and such default shall continue for a period of 90 days after written notice thereof shall have been given to the Republic at the office of the Registrar by the holder of any Stock; or

(iii) if any other loan or other indebtedness for borrowed money of the Republic becomes due and repayable prematurely by reason of any event of default on the part of the Republic in relation thereto and the payment of which is validly demanded or the Republic fails to make any payment in respect thereof or in respect of any guarantee given by the Republic of any loan or other indebtedness for borrowed money of any other person on the due date for such payment as extended by any applicable grace period,

then, at the option of and upon written demand to the Republic at the office of the Registrar by a holder of Stock, the Stock held by such person shall mature and become due and payable, together with accrued interest, upon the date that such written demand is received unless prior to such date the Republic shall have cured all such defaults.

Prescription

The Bearer Bonds will become void unless surrendered for payment within a period of 10 years and the Coupons will, except as mentioned in "Payments" above, become void unless surrendered for payment within a period of 5 years, in each case from the due date.

Replacement of Stock Certificates, Bearer Bonds and Coupons

If any Stock Certificate, Bearer Bond or Coupon is mutilated, defaced, destroyed, stolen or lost it may be replaced at the specified office of the Registrar upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Republic and the Registrar may require. Mutilated or defaced Stock Certificates, Bearer Bonds or Coupons must be surrendered before replacements will be issued.

Title to Bearer Bonds and Coupons

The Republic and any Paying Agent may treat the holder of any Bearer Bond or Coupon as the absolute owner thereof (whether or not such Bearer Bond or such Coupon shall be overdue and notwithstanding any notice of ownership or writing thereon) for the purposes of receiving payment and for all other purposes.

Notices

All notices shall be valid if despatched by post to the Stockholder at his registered address (in the case of joint holders to the address of the holder whose name stands first in the Register) and if published in one leading daily newspaper printed in the English language and with general circulation in London or, if this is not practicable, in a newspaper having general circulation in Europe. It is expected, however, that publication of such notices will normally be made in the *Financial Times*. Any such notice shall be deemed to have been given on the later of the day following the date of such despatch and the date of the first such publication.

Modification of Rights

The conditions of the Stock and the provisions of the Deed Poll and the rights of the Stockholders are subject to modification by Extraordinary Resolution of the Stockholders as provided in the Deed Poll.

Governing Law, Jurisdiction and Waiver of Immunity

The conditions of the Stock and the provisions of the Deed Poll will be governed by and construed in accordance with the laws of England except with respect to their authorisation and execution by and on behalf of the Republic and any other matters required to be governed by the laws of Finland.

The Republic will irrevocably agree that any suit, action or proceeding ("proceedings") arising out of or in connection with the Stock may be brought in the English courts or in any competent court in Finland and will submit to the jurisdiction of, and, to the extent that it is legally able to do so, will waive irrevocably any immunity to which it might otherwise be entitled in proceedings brought in, each such court. The Republic will appoint the Ambassador for the time being of the Republic of Finland to the Court of St. James's as its authorised agent for the receipt of any writ, judgment or other process in connection with proceedings in England and will agree that any writ, judgment or other process shall be sufficiently and effectively served on it if delivered to the said Ambassador at his official address for the time being in England or any other manner permitted by law.

USE OF PROCEEDS

The net proceeds to be received by the Republic from the issue of the Stock will initially be added to the Republic's official foreign exchange reserves with the Bank of Finland in order subsequently to be utilised to finance Government expenditures for a variety of purposes, including capital investments.

STOCK EXCHANGE DEALING

The Stock in both registered and bearer forms will be dealt in on The Stock Exchange in London in the Gilt-edged market. The Stock will normally be traded for settlement and delivery on the working day after the date of the transaction. The price of the Stock will be quoted exclusive of accrued interest.

It is expected that dealings on The Stock Exchange will begin on Monday, 11th May, 1981 for deferred settlement on Friday, 15th May, 1981.

UNITED KINGDOM TAXATION

In the case of interest payable in respect of Registered Stock, United Kingdom income tax will be deducted from each payment except that, under current Inland Revenue practice, payments will be made gross to persons whose registered addresses (and, if different, the addresses to which the payment is to be sent) are outside the United Kingdom. Persons who are not resident in the United Kingdom for tax purposes may apply by sending a claim form A3 to the Inspector of Foreign Dividends for exemption from United Kingdom income tax on grounds of non-residence.

In the case of interest payable in respect of Bearer Stock through a Paying Agent in the United Kingdom, United Kingdom income tax will be deducted from each payment in the absence of an affidavit to the effect that the beneficial owner of the Stock is not resident in the United Kingdom for tax purposes.

Stockholders who are liable to United Kingdom tax on capital gains should note that the provision in section 67 of the Capital Gains Tax Act 1979 which exempts from tax capital gains on Gilt-edged securities (as defined for such purposes) held for more than 12 months will not apply to the Stock.

INFORMATION RELATING TO THE REPUBLIC OF FINLAND

The Republic of Finland is a Nordic country with a population of approximately 4·8 million people. Of Finland's total area of approximately 337,000 square kilometres, inland waters cover about 9 per cent., forests cover about 65 per cent. and agricultural land under cultivation covers about 8 per cent. The remainder is uncultivated land, including residential and industrial areas.

Finland has a republican form of government established by the Constitution Act, adopted in 1919. The legislative power of the country is vested in a unicameral Parliament and the President. Parliament consists of 200 members, elected by universal suffrage for a period of 4 years. The highest executive office is held by the President, elected for a period of 6 years.

Finland's foreign policy is based on neutrality. Finland is a member of the United Nations, the International Monetary Fund, the World Bank, the General Agreement on Tariffs and Trade, the Organisation for Economic Co-operation and Development and several other international organisations. Since 1961, Finland has been an associate member of the European Free Trade Association and in 1973 entered into agreement with the European Economic Community for free trade in industrial products. Finland is also a member of the Nordic Council, the other members of which are Denmark, Iceland, Norway and Sweden.

In 1980, Finland's gross domestic product ("GDP") was 187 billion markkas (£20,769 million) at current market prices, or 39,048 markkas (£4,337) per capita. In the period from 1960 to 1974, GDP in constant prices grew at a compound annual rate of 4·8 per cent. Growth in GDP slowed to an average annual rate of 0·4 per cent. in the period 1975–1977, however, due primarily to the adoption of restrictive fiscal and monetary measures aimed at reducing the high rate of inflation and rectifying the sharp deterioration in the foreign trade balance which had begun in 1974. As a result of these restrictive measures, inflation, as indicated by the consumer price index, declined from a peak of 17·8 per cent. in 1975 to 7·5 per cent. in 1979. Between the first quarter of 1980 and the corresponding period of 1981, the average rate of inflation for these 3 month periods, as indicated by the consumer price index, rose from 9·3 per cent. to 13·1 per cent. Finland's unemployment rate increased from an average 2·2 per cent. during 1975 to 7·5 per cent. in 1978. The unemployment rate decreased to 6·1 per cent. in 1979, and it decreased further to an average rate (provisionally) of 4·8 per cent. in 1980. GDP in constant prices grew by 2·3 per cent. in 1978, 7·2 per cent. in 1979 and by 4·9 per cent. in 1980. During 1980 the Government adopted limited restrictive fiscal and monetary policy measures designed principally to curb price and cost pressures. In March 1980, the external value of the Finnish markka was revalued by 2 per cent. following a similar revaluation in September 1979. However, in the spring of 1981, the Bank of Finland, recognising the likelihood of a decline in economic activity after two years of rapid growth, acted to effect a gradual relaxation of monetary policy.

During the first quarter of 1981, negotiations between the central organisations of employees and employers on a general incomes policy resulted in a two year agreement on wage and salary increases for most sectors of the economy. The results of these negotiations are considered positive for the competitive position of Finnish industry and for the reduction in the rate of inflation.

The relative contribution of manufacturing to GDP reached approximately 38 per cent. in 1975, but declined to an average of slightly less than 36 per cent. in the 1976–1979 period. Manufacturing has become increasingly diversified as Finland has continued to invest in capital intensive industry resulting in higher value-added production. The largest sectors of manufacturing and their percentage contributions to total manufacturing output in 1979 were: the metal and engineering industry, 31·3 per cent.; the forest products industry, 30·4 per cent.; and the food and beverage industry, 12·0 per cent. In 1979 approximately 34 per cent. of manufacturing output was exported.

During recent years the service sector has increased its share of GDP (54·4 per cent. in 1979) relative to manufacturing and other activities. Agriculture represented about 4·3 per cent. of GDP in 1979, while forestry (as distinguished from processing and manufacturing of forest products) accounted for about 4·6 per cent. of GDP in 1979.

The State owns and operates enterprises, mainly monopolies such as the State Railways and the Post and Telegraph System and public utilities such as the National Forestry Board which are run for the public benefit and not for profit. In addition, the State and its institutions own controlling equity participations in a number of major industrial companies. These industrial companies were, for the most part, established to develop natural resources or particular industries (such as mining, energy, metal and steel industries) where the private sector was unable to provide sufficient finance to ensure economic production.

Finland is heavily dependent on imports to meet its energy needs. In March 1979 Finland adopted an energy policy programme designed to limit the extent of its dependence on fuel and energy imports. The major elements of this policy include the development of domestic energy sources (particularly wood, peat and industrial wastes), energy conservation and conversion of industrial plant to increase energy efficiency. Finland has built four nuclear power plants which, when operating at full capacity, will be able to provide approximately one third of Finland's electricity requirements and approximately 15 per cent. of its total energy requirements at 1980 levels.

Foreign trade is an important factor in Finland's economy. Principal exports include paper and other forest industry products, machinery, ships, chemicals and consumer goods. Principal imports include raw materials, fuels, machinery, semi-finished manufactured goods and non-dairy foods. Finland's trade and current account balances improved in each year from 1975 to 1978. In 1978, the trade balance showed a surplus of 2·9 billion markkas (£322 million) and the current account a surplus of 2·6 billion markkas (£289 million). Trade and current account balances worsened in 1979, both registering deficits of 0·8 billion markkas (£89 million). In 1980, principally as a result of increased crude oil prices, the deficit in the trade and current account balances increased further to 5·8 billion markkas (£644 million) and 5·0 billion markkas (£555 million) respectively. On 31st December, 1980, convertible foreign exchange reserves of the Bank of Finland were 7·8 billion markkas (£866 million).

The Finnish Constitution provides that no expenditures, taxation or borrowings may be undertaken by the Government without the approval of the Parliament. The State accounts before loan transactions showed a deficit of 4·8 billion markkas (£533 million) in 1980 against a forecast deficit in the Approved Budget for 1980 of 6·0 billion markkas (£666 million) before loan transactions. The Approved Budget for 1981 provides for a deficit of 3·5 billion markkas (£389 million) before loan transactions.

The total direct debt (including floating rate debt) of Finland was 18 billion markkas (£1,999 million) on 31st December, 1980, of which 10·1 billion markkas (£1,122 million) was external funded debt. In addition, as of 31st December, 1980, Finland had outstanding guaranteed funded debt of approximately 17·5 billion markkas (£1,944 million), of which approximately 11·1 billion markkas (£1,233 million) was external debt.

Since its foundation in 1917, the Republic of Finland has paid when due the full amount of principal, interest and amortisation requirements upon its internal and external obligations, whether direct or guaranteed, except that certain Swedish kronor indebtedness was paid during the Second World War on modified terms agreed by the holders of such indebtedness and two Swedish kronor loans made in 1934 and 1949 were renegotiated and repaid on partially modified terms during the periods 1954 to 1973 and 1959 to 1974 respectively.

GENERAL

The Republic has agreed to pay to the Underwriters a commission of seven eighths of one per cent. of the nominal amount of the Stock for their services in managing and underwriting the issue. The Republic will also pay to recognised Banks or Stockbrokers (as defined under "Terms of Payment" above) brokerage of one quarter of one per cent. of the nominal amount of the Stock allotted in respect of applications bearing their stamp. The total expenses of the issue (including the above-mentioned commission and brokerage) are estimated to amount to about £664,000 and are payable by the Republic.

Application will be made to Euro-clear Clearance System Limited and CEDEL S.A. for the Bearer Bonds to be accepted for clearance.

Under present legislation both Stock in registered form and Bearer Bonds are transferable free from United Kingdom Stamp Duty.

The Stock is not an investment falling within the First Schedule to the Trustee Investments Act 1961.

The Parliament of Finland approves the maximum amount to be borrowed by the Republic in each fiscal year. The Parliament authorised the Council of State of Finland to raise long-term loans during the fiscal year 1981 in an aggregate principal amount not to exceed 5,295 million markkas. As at 30th April, 1981, the Republic has raised long-term loans in markkas and foreign currencies for the fiscal year 1981 in the equivalent of an aggregate principal amount of 2,598 million markkas.

Certain amounts herein are expressed in Finnish markkas ("markkas") and have been translated into pounds sterling using a rate of £1=9·004 markkas. On 30th April, 1981 the middle rate between the buying and selling spot delivery rates for markkas quoted by the Bank of Finland was £1=9·000 markkas. As used herein "billion" means one thousand million.

Documents for Inspection

Copies of the following documents will be available for inspection at the offices of Slaughter and May, 35 Basinghall Street, London EC2V 5DB during normal business hours until 31st May, 1981:—

(i) the Underwriting Agreement referred to above;

(ii) a draft, subject to modification, of the Deed Poll referred to above;

(iii) (1) Excerpt from the Constitution Act of Finland, dated 17th July 1919 (94).

(2) Reply of Parliament to the Government's Proposition concerning the authorisation for the Council of State to raise loans, dated 9th December, 1980.

(3) Decree concerning authorisation for the Council of State to raise loans, dated 19th December, 1980 (885/80).

(4) Resolution of the Council of State, dated 23rd April, 1981.

Additional Copies

Copies of the Prospectus and Tender Forms may be obtained from:—

National Westminster Bank Limited
New Issues Department, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD
208 Piccadilly, London W1A 2DG
80 George Street, Edinburgh EH2 3DZ
14 Blythswood Square, Glasgow G2 4AQ

W. Greenwell & Co.,
Bow Bells House, Bread Street, London EC4M 9EL.

The Stock Exchange in London

TENDER FORM

The application list will open at 10.00 a.m. on Friday, 8th May, 1981 and will close later the same day. This form must be lodged with National Westminster Bank Limited, New Issues Department, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD.

REPUBLIC OF FINLAND

ISSUE BY TENDER ON A YIELD BASIS OF £50,000,000 LOAN STOCK 1986

Payable as follows: On application £30 per cent. On 2nd July, 1981 the balance.

To Morgan Grenfell & Co. Limited on behalf of the Republic of Finland:
In accordance with the terms of the Prospectus dated 5th May, 1981, I/we apply as below. I/We undertake to accept the amount of Stock applied for or any less amount that may be allotted in respect of this application and to pay for the same in conformity with the terms of the said Prospectus.

Nominal amount of the Stock applied for	Amount enclosed at £30 per cent. of the nominal amount applied for	Gross Redemption Yield tendered to two places of decimals*	Box A**
£	£	. per cent.	

**Tick Box A if you wish to tender at the Underwriting Yield

*Any further figures will be ignored

Note: Applications must be for a minimum of £1000 nominal amount of Stock and thereafter for the following multiples of Stock:

Amount of Stock applied for	Multiple	Amount of Stock applied for	Multiple
£1,000–£10,000	£1,000	£10,000–£50,000	£5,000
		£50,000 or greater	£25,000

Please pin cheque here.

I/We enclose a cheque drawn on a branch in the United Kingdom, the Channel Islands or the Isle of Man of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques to be cleared through the facilities provided for the members of those Clearing Houses made payable to "National Westminster Bank Limited" and crossed "Finland Loan" representing payment at the rate of £30 per cent. for the above mentioned nominal amount of Stock. I/We agree that this application shall be irrevocable. I/We understand that the completion and delivery of this Tender Form accompanied by my/our cheque constitutes a representation that the same will be honoured on first presentation. I/We hereby engage to pay the balance payable on the Stock by 2nd July, 1981 on any allotment made to me/us in respect of this application and I/we understand that failure to pay such balance by the due date will render the amount previously paid liable to forfeiture and the allotment liable to cancellation. I/We acknowledge that any allotment letter and (if appropriate) remittance for any application moneys returnable to be sent to me/us is liable to be held pending clearance of such cheque.

I/We hereby request that any Stock allotted to me/us:

(Delete Box B or C as appropriate)

Box B
Be evidenced by an allotment letter addressed to me/us and be sent by post at my/our risk to me/us at the first address shown below

Box C
(For persons with a Euro-clear or CEDEL Account only)
Be evidenced by a global allotment letter addressed to Euro-clear Clearance System Limited and that our participation therein be credited to our existing securities account at:

EURO-CLEAR A/c No.

CEDEL A/c No.

FOR OFFICE USE ONLY
1. Acceptance No.
2. Amount of Stock accepted
3. Amount received on application £
4. Amount payable on Stock accepted £
5. Amount returned £
6. Balance payable £
7. A/L No.
8. Cheque No.

Date ________ 1981

Please use BLOCK LETTERS.

(1) Usual Signature ________
Forenames in full: ________
Surname: ________
(also state designation: Mr., Mrs., Miss or title)
Full Postal Address: ________

Joint Applicants (if any):
In the case of joint applicants all must sign, and in the case of a corporation this Form must be signed under hand by an authorised official who should state his capacity.

(2) Usual Signature ________
Forenames ________
Surname ________
(also state designation: Mr., Mrs., Miss or title)
Address in full ________

(3) Usual Signature ________
Forenames ________
Surname ________
(also state designation: Mr., Mrs., Miss or title)
Address in full ________

(4) Usual Signature ________
Forenames ________
Surname ________
(also state designation: Mr., Mrs., Miss or title)
Address in full ________

ALTERNATIVE METHOD OF PAYMENT

(This method of payment is available in respect of payments of £10,000 or more only to recognised Banks or Stockbrokers as described in the Prospectus.)

We hereby irrevocably engage to pay National Westminster Bank Limited, New Issues Department, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD for credit to the account designated "Finland Loan" by 10.00 a.m. on Thursday, 14th May, 1981 the amount in Town Clearing Funds representing payment at the rate of £30 per cent. for the Stock allotted to the person(s) named above in respect of this application.

Authorised Signature ________

Name of bank or broker: ________
Address: ________
Date: ________

Stamp of bank or broker claiming brokerage (if any)	A.L. Number	Stock Allotted

APPOINTMENTS

CEGB nuclear support director

Dr. Bryan Edmondson has been appointed director of the newly-formed nuclear operations support group of the CENTRAL ELECTRICITY GENERATING BOARD. He will relinquish the position of director of Berkeley Nuclear Laboratories to take up his new post on May 18.

The nuclear operations support group, introduced as one of a number of recent organisational changes within the board, will ensure the provision of support for the operation of all the board's nuclear plant. The group will be responsible to board member Mr. G. A. W. Blackman.

★

Mr. A. Llewellyn-Davies has been appointed to the Board of GODSELL (LDA).

★

GUINNESS MAHON has appointed **Mr. Eric Pavitt** as managing director of its subsidiary in Guernsey.

★

Mr. Alec Webster has been appointed treasurer designate of the BRITISH GAS CORPORATION and will become treasurer in place of Mr. Eric Hampshire, who retires next month.

★

Mr. Ron de Gray has been elected chairman of the CORRUGATED CASE MATERIALS ASSOCIATION.

★

Mr. Eric C. Dolton, chief chemist at DYLON INTERNATIONAL, has been appointed a director.

★

Mr. J. Davies has been appointed a director and **Mr. J. C. Graves** an assistant director of HOWSON F. DEVITT AND SONS, part of the Devitt Group.

★

Mr. Brian R. David has been elected chairman of PRINCIPALITY BUILDING SOCIETY and **Mr. Edgar T. Shepherd** is the new deputy chairman.

★

Mr. D. G. Flood has been elected president of the NATIONAL ASSOCIATION OF SCAFFOLDING CONTRACTORS for 1981-82. **Mr. L. T. Humphrey** is senior vice-president, **Mr. M. J. Ormiston**, junior vice-president and **Mr. W. D. Orwin** honorary treasurer.

★

Mr. David C. Walsh, group managing director of ELLIS AND EVERARD, will take over as divisional managing director of the group's fine chemicals division on the retirement of **Mr. Douglas F. Anstead**, at the end of August.

★

Mr. D. A. G. Monk has joined LINFOOD HOLDINGS as joint managing director. The other joint managing director is **Mr. R. S. Jacques**. Mr. Monk was previously with the RTZ Corporation.

★

M. R. Hobson and **Mr. M. A. F. Reeve** have been appointed to the Board of GREYHOUND GUARANTY LIMITED as managing directors.

Mr. Michael Brady, formerly a director of Trust Houses and managing director of Kingsmead Hotels, has been appointed chairman of WESTERN COUNTIES HOTELS.

★

Mr. James L. Hildebrand and **Mr. Kenneth Cunningham** have become deputy managing directors of CI Ltd., and **Mr. Miguel Caparros** as executive director. Mr. Hildebrand will be based in Chicago and be responsible for international capital markets business development in the U.S., Latin America, and the Far East. Mr. Cunningham and Mr. Caparros will continue to be based in London.

★

Mr. P. J. Broadley is joining the UNITED GAS INDUSTRIES Group as managing director of its subsidiary Robinson Willey.

★

BRITANNIA AIRWAYS has appointed **Mr. C. Peter Brown** financial director. Before joining Britannia he was responsible for the administration of the Thomson Organisation (1968) pension fund.

★

Mr. Geoffrey A. C. Wood has been appointed a director of TRUST SECURITIES HOLDING. He will be responsible for the acquisition of development schemes and their subsequent funding in the institutional market.

★

SCAN RE INSURANCE COMPANY (London) has appointed **Mr. Leonard F. Alliston** as chief executive and general manager.

★

The NATIONAL BRASSFOUNDRY ASSOCIATION, which covers the interests of manufacturers of plumbers' and engineers' brassfoundry, has appointed **Mr. Ken Blair** as chairman.

★

Mr. Joseph Wegrzyn has been appointed director and general manager of BANK LEUMI (UK) from May 15. He succeeds **Dr. Yair Kadishay**, who has been appointed president of the Bank Leumi le-Israel regional management, western hemisphere, in New York.

★

Mr. Len Thorne, managing director of Black and Luff, has become chief executive of B. E. (MIDLANDS). Taking Mr. Thorne's place at Black and Luff will be **Mr. Martin Paterson**, who joins the group as director and general manager of Black and Luff and takes a seat on the B. E. (Midlands) Board.

★

The Civil Aviation Authority has appointed **Mr. Bill Mallinson** vice-chairman of Smiths Industries; **Captain Vaughan Howell** of Laker Airways and **Mr. Roy Watts** chief executive and deputy chairman of British Airways, to be members of the AIRWORTHINESS REQUIREMENTS BOARD.

★

A. ARENSON (HOLDINGS) has appointed **Mr. Colin Brown** as managing director of Arvin Furniture, its bedroom and lounge furniture division.

OVERSEAS

Mr. Edward M. Bottum has been elected chairman and a director of CONTINENTAL ILLINOIS INTERNATIONAL INVESTMENT CORP., the investment management subsidiary of Continental Illinois Corp. **Mr. Edward M. Cummings** has also been elected a director.

★

Mr. Gunnar Agfors has been appointed president of SVENSKA PETROLEUM EXPLORATION AB after **Mr. Arne Carlsson**, who is retiring. **Mr. Bengt Holmgren** has been appointed executive vice-president of Svenska Petroleum Exploration AB.

★

Mr. Neil Armstrong, **Mr. Donald Rauth** and **Mr. Javier Vidal Sario** have been elected to the main board of EATON CORPORATION. **Sir Leonard Crossland** has retired from the board. Sir Leonard will continue as chairman of Eaton Limited, the British subsidiary of Eaton Corporation.

★

Mr. James W. Stevens has been elected an executive vice-president of CITIBANK and its parent, CITICORP, New York. Mr. Stevens, who was recently named head of Citibank's worldwide merchant banking group, is a member of the institution's policy committee, or senior management group.

AMERICAN EXPRESS CO. has elected **Mr. Alva O. Way** president and **Mr. Louis V. Gerstner Jr.** vice-chairman. Mr. Gerstner will also become a member of the executive office.

★

Karl-Wilhelm Graf Finckenstein has been elected a member of the advisory board of TRINKAUS & BURKHARDT, West Germany's largest private bank. **Mr. Ernst W. Brutsche**, who was previously a partner, succeeds him as senior partner. Midland Bank has a 67 per cent holding in Trinkaus and Burkhardt.

★

Mr. Marvin D. Marks has been promoted to the newly-created position of vice-president and corporatewide programme manager for the U.S. Air Force's C-X transport programme at McDONNELL DOUGLTS, St. Louis.

Mr. Richard M. Randall has been appointed vice-president—commercial contracts at the Douglas Aircraft Company division of McDonnell Douglas Corporation.

★

Mr. Mike Firth has been appointed advances manager at National Westminster Bank's executive office North America in New York. He succeeds **Mr. Alan Atkinson**, who is returning to the UK.

WORLD STOCK MARKETS

Dow continues down at 2 pm

STOCKS CONTINUED their retreat in fairly active trading at midsession, with investors still concerned about the outlooks for interest rates.

The Dow-Jones Industrial Average by 2 pm was down 9.91 at 969.20 on volume of 37m shares, with declines leading advances by four to one. The NYSE All Common Index shed 43 cents at $75.09.

Analysts said the rise in discount rate late on Monday was the main factor behind the decline, as it indicated interest rates were likely to move still higher and remain firm for some time. Further upward pressure on the prime rate seemed likely as short-term interest rates continued to rise.

A wide variety of stocks was affected. Among the active issues, volume leader IBM lost ¾ to $57¾, while active Sony declined ⅜ to $19⅞ and General Motors lost $1⅛ at $51⅜. Among Utilities, Texas Utilities slipped ⅜ to $17⅛ and Virginia Electric and Power ¼ to $10⅛.

Among Bank stocks, Chemical lost ¾ to $52¼, Manufacturers Hanover ½ to $32¼ and Citicorp ½ to $24¼. Bankamerica slipped ¼ to $24¼.

Drug issues were notably weak. Smithkline fell $2 to $80¼ and Merck lost $1½ at $87. Squibb was down ¾ to $35¼ and Syntex declined ¾ to $58¾.

THE AMERICAN SE Market Value Index was 1.98 lower at 347.67 at 1 pm.

Barton's Candy gained ⅞ at $3½. American Safety Razor agreed in principle to purchase 50.2-61.5 per cent of Barton's shares at $4 a share. TII Industries was up ½ to $36⅞ on higher third quarter net profits.

Canada

The market had moved sharply lower by midsession, extending Monday's steep decline. Declines led advances 336 to 97. The Composite Index was 23.6 points lower at 2,240.0 on volume of 2.89m shares.

The Gold index dropped 86.3 to 4,203.9 and Metals and Minerals 30.5 to 2,220.7, while Oils lost 42.2 at 4,336.8. Campbell Red Lake was off C$1¾ at C$62 and Dome Mines fell C$2 to C$105.

Dome Petroleum was down C$1½ to C$94, while Gulf Canada, BP Canada and Imperial Oil lost fractions. But Hudson's Bay Oil and Gas rose C$1¾ to C$25¾ on 71,269 shares against the trend.

Closing prices for North America were not available for this edition.

Germany

Rising U.S. interest rates dampened buying interest and the share market weakened further from Monday's easier levels.

The Commerzbank Index fell 8.5 points to 704.5, and the decline was marked especially in the Banking sector, where Deutsche was down DM 5 at DM 277.50.

In lower Engineerings, GHH shed 2.50 at DM 205.5, and KHD was down DM 1.40 at DM 181.5 after announcing lower 1980 parent comany net profits.

BASF led Chemicals down, losing DM 3.60. In Motors, Daimler eased DM 3.2 to DM 299.8, though VW was only 50pf lower at DM 151.

In lower Stores, Horton shed DM 3.50, and in Electricals AEG was down DM 4.80 to DM 82.2. Thyssen in Steels slipped DM 1.50 to DM 69.8.

Public authority loans fell by up to two points. The Bundesbank bought a net DM 35m-worth of paper, as one-year paper yielded more than 13 per cent. Mark Eurobonds were also weaker.

Paris

The market was firmer in active trading with foreign buying interest still present and amid some market feeling that President Valery Giscard d'Estaing will win re-election on Sunday.

Bouygues in Constructions led the trend, which extended to all sectors, adding FFr 39 at FFr 793 after announcing it had won a FFr 265m contract in Kuwait.

Domestic concern with the election overshadowed the fall on Wall St on Monday and higher U.S. interest rates as a market factor. The announcement of a 1 point rise, to 13.5 per cent, in the Bank of France's treasury bill discount rate, came too late to affect trading.

In foreign stocks U.S., Dutch and Copper shares were mixed, German eased slightly, Japanese were steady, Oil stocks firmed and Gold Mines rose.

Amsterdam

Prices were mainly lower, with AKZO losing Fl 0.80 at Fl 23.2 and KLM reducing its opening loss to Fl 0.30 in Dutch Internationals.

ABN lost Fl3 and NMB lost Fl 2, Insurer Ennia Fl 1 at Fl 145.5 and Constructor Volker-Stevin Fl 1.30 at Fl 31.70. Pakhoed shed Fl 0.5 after an Fl 0.70 lower opening.

Fokker firmed Fl 6.50 on the announcement that it and McDonnell Douglas will form a joint venture to build a 150-seat airplane.

Tokyo stock markets were closed yesterday.

Milan

Prices generally eased in less active trading.

In Banks, Insurances and Financials, Mediobanca, Generali and Centrale all lost ground. Both Fiats, both Olivettis and Italmobiliare eased, Italcementi firmed against the trend, gaining L1,030 to L55,990.

Switzerland

Share prices firmed in active trading in Zurich on selective foreign demand, virtually restricted to leading bearer issues in the Banking and Industrial sectors.

Chemicals in particular were sought, with the bearer shares of Sandoz and CIBA-Geigy broadly higher along with Nestle bearer. Brown Boveri and Alusuisse.

Buehrle gained ground in the Financial sector after declining on interest rate and foreign exchange considerations.

Hong Kong

Stocks closed easier across the board, remaining close to lowest levels established early in the day, as U.S. prime rates rose.

The Hang Seng Index lost 15.09 points to end the day at 1,413.47.

Dealers saw little prospect of the local prime rate rising, and noted that the Hong Kong dollar also fell, reaching its lowest point against the U.S. currency in more than seven years.

Some traders were also said to be hesitant ahead of an after-hours meeting of the Hong Kong Federation of Stock Exchanges to review the moratorium on new scrip issues.

In leading stocks, Cheung Kong lost 50 cents to HK$25.60, Hongkong Shanghai Bank 10 cents to HK$14.80 and Hong Kong Electric 10 cents to HK$8.05, while Hongkong Land and Hongkong Kowloon Wharf were steady at HK$12.30 and HK$7.90 respectively.

Elsewhere, Hutchinson Whampoa shed 20 cents to HK$18.10 and Jardine Matheson 20 cents to HK$19.50. Swire Pacific "A" put on 10 cents at HK$15.80.

Australia

Takeover prospects encouraged speculators in Industrials in the share market again. Major indices fell in the face of weakening gold prices, further rises in U.S. interest rates and a near total lack of overseas support which left Mining and Oils floundering.

The All Ordinaries Index slipped 5.7 points to 705.4, pushed by an 18.3 point fall in the Oil index to 874.9 and an 8.1 point drop in the Metal and Mineral index to 618.4.

But the Industrials Index resisted the overall trend by holding to a 1.4 point fall to 750.6.

NEW YORK

CANADA

BELGIUM (continued)

HOLLAND

AUSTRALIA

JAPAN (continued)

DENMARK

FRANCE

ITALY

NORWAY

HONG KONG

SINGAPORE

SOUTH AFRICA

SWEDEN

GERMANY

AUSTRIA

SWITZERLAND

BELGIUM/LUXEMBOURG

JAPAN

BRAZIL

Financial Rand US$0.85 (Discount of 37%)

Indices

NEW YORK —DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

MONTREAL

TORONTO Composite

NEW YORK ACTIVE STOCKS

COMMODITIES AND AGRICULTURE

Danish abattoir strike ends

By Hilary Barnes in Copenhagen

IT WILL take about 15 weeks for Danish slaughterhouses to work through the backlog of 700,000 pigs which has built up during the two-week strike of slaughterhouse workers, according to ESS-Food, the pig Meat Export Association.

The strike will come to an end today following intervention by the Folketing (Parliament) which early yesterday morning passed a settlement reached by union negotiators and management into law after union members rejected the settlement in a membership ballot.

The slaughterhouses are threatened by a new stoppage next Monday when vets may strike, but if the threat seems likely to be realised it is assumed here that the Government will again step in.

Farmers' leaders are to meet the Minister of Agriculture today for a new round of talks on increased financial support for the farmers, whose position was already difficult before the strike. The 700,000 pigs have had to be fed over an extra period and as they will be overweight when sent to slaughter farmers will not receive the top price. In addition the temporary surplus in the supply of Danish pigmeat in the UK and other markets is likely to depress prices. Farmers' organisations are asking the Government to compensate them for the effects of the strike on top of other support measures.

NZ to cut butter exports to Japan

WELLINGTON—New Zealand has signed an agreement to cut its compound butter exports to Japan by almost 10 per cent over the next three years, the Dairy Board said.

Under the agreement which was signed on May 1, New Zealand will voluntarily limit its compound butter exports to Japan to 27,600 tonnes over the next three years. In 1980 New Zealand sold 10,000 tonnes to Japan, up from around 6,000 two years ago.

The Japanese Government had asked New Zealand to restrain its exports as a result of pressure from domestic dariy farmers concerned at the mounting surplus of home-grown dairy products.

New Zealand agreed to the request on condition that the other main supplier, the EEC, similarly restrained its exports. Reuter

Producers seek tin compromise with U.S.

BY RICHARD COWPER IN JAKARTA

REPRESENTATIVES from the world's top three tin producing countries—Malaysia, Thailand and Indonesia—are to meet the chief U.S. tin negotiator in Kuala Lumpur next week in a last minute bid to break the deadlock between producers and consumers over the setting up of a new International Tin Agreement.

The producers hope the talks, which are scheduled to be held in Kuala Lumpur on May 12-13 will head off what threatened to be a serious confrontation with the U.S. over issues relating to tin prices and the renewal of the International Tin Agreement.

Professor Subroto, Indonesia's Minister for Mines and Energy, said that he hoped the meeting with Mr. Michael Smith, the U.S. trade representative and chief tin negotiator, would break the deadlock.

"This is a test case of co-operation between consumers and producers on commodities, between north and south. If this, the world's first commodity agreement breaks down I believe it could herald the end of all commodity agreements," he declared."

The three moderate South East Asian tin producers, which account for some 65 per cent of world exports, have in the last month become increasingly angry at what they regard as the uncompromising attitude of the U.S. It was this attitude, they say, which led producers to storm out of an International Tin Council meeting in April in protest at the council's refusal to grant an increase in the buffer stock price range.

They also hold the U.S. to be largely responsible for the failure to come up with a new International Tin Agreement. The current accord expires in June 1982, and producers say that the negotiating conference in Geneva next month is the last chance to produce an agreement.

Tin producers have also become increasingly incensed at the U.S. refusal, at a time of slumping world tin prices, temporarily to halt its stockpile tin sales.

The producers are, however, still hoping that the U.S., which consumes some 26 per cent of the world's tin, will at the last minute come up with the compromises needed to make agreement at next month's negotiating conference in Geneva possible.

"We will continue to apply diplomatic pressure through the EEC and Japan, but we do hope that the meeting in Kuala Lumpur is a real attempt by the U.S. to find an approach to overcome the deadlock," said Professor Subroto.

Sharp drop in lead market

BY JOHN EDWARDS, COMMODITIES EDITOR

LEAD PRICES fell sharply on the London Metal Exchange yesterday following news that a strike at the St. Joe smelter in Missouri had been settled and Asarco's decision to cut its U.S. domestic lead price by 2 cents to 36 cents a lb. Cash lead closed £15.75 down at £328.5 a tonne after being hit by some heavy selling.

The selling appears to have been mainly triggered by the Asarco cut, which reverses the recent upward trend in U.S. lead prices.

In fact the St. Joe smelter at Missouri is to close down temporarily in any event because of a shortage of concentrates due to a strike by workers at the mining and milling plants that started on April 1. It is, however, the smelter workers' agreement which will provide a formula for ending the mining and milling dispute.

The market failed to respond to an announcement by Boliden and minerals as a result of a of Sweden declaring force majeure on shipments of metals strike by 17,000 clerical workers at five of the langest Swedish companies.

Boliden said the strike will affect smelter production of 50,000 tonnes of lead; 65,000 tonnes copper; 230 tonnes silver and 4.5 tonnes of gold.

Copper prices also failed to respond. Cash wirebars closed £5.75 down at £823.5 a tonne, in spite of a strike by Falconbridge Copper workers in Quebec. Asarco announced a cut of 1.5 cents in its U.S. domestic copper price to 84.5 cents a lb.

Zinc prices fell back reflecting the tentative settlement of the threatened strike at the Cominco Trail smelter in British Columbia, which is a big producer of both zinc and lead.

Tin values continued to ease, with another decline in Penang over the weekend. Aluminium futures were also lower in spite of a hefty fall in LME warehouse stocks, which declined by 5,400 tonnes cutting total holdings to 47,125 tonnes.

Copper stocks also fell by 1,000 to 119,400 tonnes; so did tin by 90 to 7,030 tonnes; zinc by 250 to 89,625 and nickel by 204 to 2,832 tonnes. Lead stocks rose by 500 to 47,075 tonnes and LME silver holdings increased by 200,000 to 24,660,000 ounces.

Bid to boost U.S. metal reserves

BY NANCY DUNNE IN WASHINGTON

THE HOUSE sub-committee on Mines and Mining has scheduled hearings next month on legislation to spur American mining development and to ease acquisition procedures for the stockpile of strategic and critical materials.

The Bill, called the National Mineral Security Act, emerges after a series of hearings and reports issued by the committee, decrying the U.S. dependence on foreign mineral supplies and contending that the U.S. is in a "resource war" with the Soviet Union.

In introducing the legislation, Mr. Rames D. Santini, the sub-committee chairman, said that the U.S. had lost the first battle of the resource war in the early 1950s when the Soviet Union cut off exports of chromium to the U.S.

The proposed legislation is designed to develop and implement a national minerals policy and to reverse the decline of the U.S. mining industry. Its provisions include:

● Establishment of a three-member council on minerals and materials within the president's office to co-ordinate and review all government activities affecting minerals;

● Amendment of the stockpiling act to allow for the immediate expenditure of funds generated by the sale of stockpiled materials. Under present law, Congressional approval must be obtained for each acquisition and sale.

The bill has the support of 40 congressmen so far and in all probability will have the tacit support of the Reagan Administration in many aspects since the Administration has already stepped up stockpile acquisition and is proposing opening federal lands to mineral development.

Sugar fall may bring export curb

By Our Commodities Editor

DISCUSSIONS WILL take place in London tomorrow on whether to impose sugar export quotas in a bid to halt the recent sustained decline in the world market. A further fall yesterday took futures market quotations to new 18-month lows.

The executive committee of the International Sugar Organisation can impose quotas if the 15-day average price stays below 17 cents a lb for five market days. If prices do not rise in the meantime that requirement will be fulfilled tomorrow.

ISO delegates believe, however, that the committee will decide to wait for the average to move below 16 cents a pound and stay there for five days, making the imposition of quotas automatic.

The decline, which began last October with nearby positions on the London futures market standing at over £440 a tonne, continued yesterday with the October position slipping £8.65 below Friday's closing level at £176.975 a tonne—the lowest level since December, 1979. In the morning the London daily raw sugar price was marked down £4 to £171 a tonne—the lowest since January last year.

London traders said the decline reflected a weaker U.S. market on Monday and reports that a leading New York commission house had made a "sell" recommendation.

Cocoa futures prices also fell in London, the July position ending £16 down at £928.50 a tonne.

Commodity Agreement

Little hope of a world cotton pact

BY BRIJ KHINDARIA IN GENEVA

PROSPECTS for an International Cotton Agreement have worsened sharply following an inconclusive week-long meeting here among 54 of the world's main cotton trading nations.

There is serious doubt now whether an agreement of any kind is possible concerning cotton. An agreement proposed by the 19 main developing country producers, which act together as the Izmir Group, is well out of reach, because of opposition from both the U.S.—the world's largest cotton exporter—and the Common Market—the largest importer.

The most likely outcome of any future negotiations would be an accord to create a forum for discussions among producers and consumers concerning market promotion, statistical reporting and analysis, and research and development.

Mr. Frederick McEldowney, the U.S. representative, gave the most telling summary of the four-year-old negotiations. "It (the latest meeting) has helped crystallise positions which make it clear that we are in different rooms with doors between them more firmly locked than ever. A common key is simply not available," he he said.

The U.S. opposes the creation of a new International Cotton Organisation as sought by developing country producers and by some Nordic and other European countries. However, it continues to support existing fora for cotton, including Cotton Development International, the International Institute for Cotton and the International Cotton Advisory Committee of the Food and Agriculture Organisation (FAO). The Izmir Group thinks that each of those bodies is too limited in its functions and cannot help cotton producers to earn more stable and higher incomes from their exports.

The size of the differences between developing countries and the U.S. made it impossible for delegates to agree on another meeting. Mr. McEldowney felt there was "no reasonable prospect that meaningful results can be achieved," while Mr. Yaman Baskut, the Izmir Group spokesman, said another meeting "similar to this one would be a fruitless exercise."

Mr. Gamani Corea, secretary-general of the United Nations Conference on Trade and Development (UNCTAD), will hold informal talks with the various groups to decide whether another meeting should be called. In the absence of further talks, negotiations for an International Cotton Agreement would have to be abandoned.

Currently there are four main aproaches to a possible accord. Under the first, backed by the Izmir Group, an agreement would create a buffer stock which would be used to stabilise world cotton prices and be operated by a new international cotton organisation. A second approach backed by Finland, Norway and Sweden would create "a system of consultations in specified market instability situations" and could later be expanded to include binding measures to stabilise prices. The Common Market has suggested that the agreement should create only a consultation forum without ruling out discussion of stabilisation measures. The U.S. is still not convinced that any kind of agreement is necessary.

In spite of the disputes, last week's meeting said in a concluding statement that there was "support for the negotiation of an international cotton agreement with a comprehensive institutional framework to undertake all international action on cotton that governments may agree upon." That surprising sentence was seen as meaning that nobody wants to completely break off the talks.

Disappointed by the meeting's failure, the Izmir Group announced that it will go ahead separately to increase economic and technical co-operation among cotton producing countries. It may also create a cotton producers' association.

The threat to create a cotton producers association may turn out to be an empty one because the U.S. is the world's largest producer, followed by the Soviet Union. Both those countries are unlikely to enter an association which tries to stabilise cotton markets or prices by any means.

If the association contains only the Izmir Group countries—which account for one-third of world cotton exports—it may not be able to do more than promote co-operation without stabilising prices.

Creation of a cotton producer's association was proposed at a seminar held under Unctad auspices among Izmir Group countries in Mexico City in March. The Izmir group then asked Unctad to prepare a report studying the feasibility of such an association. However, Unctad being a specialised agency of the United Nations rather than a third world secretariat cannot go ahead with such a study without approval by its industrialised country members. Such approval will not be forthcoming if industrial country cotton producers are kept out of the association. A decision about the study may be made at Unctad's policy-making trade and development board in November.

The seminar listed the following areas for co-operation among Izmir Group countries—world cotton prices, production, processing, marketing, distribution and transportation, research and development, information and statistics, transfer of technology and financial co-operation. Because of the wide scope of each of these areas, co-operation among Izmir Group countries is unlikely to proceed quickly, according to western diplomats here.

India to import 1m bales

BY A CORRESPONDENT

The Indian Government is planning to import 1m bales (of 170 kg each) of medium staple cotton for immediate needs of the textile industry. The import is also aimed at checking the rapid rise in cotton prices in the country.

However, according to reports, there may not be enough surplus in the international market at this time to enable India to import a million bales. To provide quick relief to the textile mills, the possibility of importing ½m bales of cotton from Pakistan is being explored.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Easier on the London Metal Exchange as the recent increases in American interest rates saw general liquidation depress forward metal from £856 to £846 by the close of the afternoon Kerb. Turnover: 29,450 tonnes.

Amalgamated Metal Trading reported that in the morning three months wirebars traded at £850, 50.5, 49, 48.5, 48, 48, 48.5, 48, 47, 47.5. Cathodes, cash £817, three months £835.5. Kerb: Wirebars, three months £847, 46.5, 46, 45.5. Afternoon: Wirebars, three months £847, 46.5, 46, 46.5, 47, 46.5, 46, 45.5, 45, 45.5, 45, 46, 45.5. Cathodes, mid-June £823, three months £833, 33.5. Kerb: Wirebars, three months £845.5, 46, 45.5, 46, 46.5.

COPPER	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Wirebars				
Cash	824.5-5.5	−4.25	823-4	−5.75
3 months	847-8	−2.75	845.5-6	−4.5
Settlem't	825.5	−4	—	
Cathodes				
Cash	816-7	−6	816-7	−6
3 months	835-.5	−5.5	833.5-4	−5
Settlem't	817	−6	—	
U.S. Prod.			*83.65-88	

TIN—Lost ground reflecting the weakness of other metals. Forward metal opened at £6,020 but fell away to £5,965 during the afternoon before recovering, in the wake of American support, to close the late Kerb at £6,015. Turnover: 1,030 tonnes.

Morning: Standard, cash £5,870, 75, 65, 70, three months £6,010, 6,000, 5,995, 90, 85, 80, 90. Kerb: Standard, three months £5,990, 95. Afternoon: Standard, three months £5,990, 85, 80, 70, 75, 70, 65, 70, 75, 80, 75. Kerb: Standard, three months £5,980, 85, 90, 95, 6,000.

TIN	a.m. Official	+ or −	p.m. Unofficial	+ or −
High Grade	£	£	£	£
Cash	5870-5	−45	5870-80	−42.5
3 months	5990-5	−25	5975-80	−48
Settlem't	5875	−45	—	
Standard				
Cash	5870-5	−45	5870-80	−42.5
3 months	5990-5	−25	5975-80	−45
Settlem't	5875	−45	—	
Straits E.	‡$28.71	−0.09	—	
New York				

LEAD—Sharply lower on news of a 2 cents producer price-cut by Asarco, and reports that workers at Cominco's Trail operation have reached a tentative agreement on a new labour contract. Forward metal opened at £348 but came under heavy U.S. selling pressure in the afternoon when the Asarco news saw the price drop to a low of £332 prior to a close of £333.5. Turnover: 11,875 tonnes.

Morning: Cash £333.5, 34, three months £348, 47, 46.5, 45, 43, 42, 41, 40, 40.5, 41, 41.5. Kerb: Three months £341, 40.5. Afternoon: Cash £328, three months £341, 40, 39, 38, 37, 36, 35, 35.5, 36, 36.5, 36. Kerb: Three months £336, 36.5, 36, 35, 34.5, 34, 33, 33.5, 34, 33, 34.

LEAD	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Cash	344.5	−8.75	328-9	−15.7
3 months	341.5-2	−8	336-6	−14.2
S'ment	336	−9.5	—	
U.S. Spot			*36-8	

ZINC—Easier. Forward metal initially fell from £408 to £397 on the Cominco news. However, the price rallied sharply to touch £413 before closing at £412 on news of the Boliden force majeure which prompted sizeable short covering and speculative interest. Turnover: 9,325 tonnes.

Morning: Three months £403, 4, 5, 4, 3.5, 3, 2.5, 2, 2.5. Kerb: Three months £402.5, 3, 3.5. Afternoon: Three months £404, 2.5, 2, 3. Kerb: Three months £404, 6, 7, 7.5, 8, 10, 11, 12, 11.5, 12.

ZINC	a.m. Official	+ or −	p.m. Unoffic'l	+ or −
	£	£	£	£
Cash	392-4	−8.25	392.5-3.5	−8.25
3 months	402-3	−6.75	403-.5	−6
S'ment	394	−7.5	—	
Primw'ts			*46.75	−6.75

ALUMINIUM—Marginally easier. The weakness of sterling and a large fall in warehouse stocks saw forward metal hold around the mid £630s for most of the morning. However, general selling in a thin market prompted a decline in the afternoon when three months fell away to close the late Kerb at £627. Turnover: 4,450 tonnes.

Morning: Three months £633, 32, 31, 30. Kerb: Three months £630.5, 31. Afternoon: Three months £631, 30, 30.5, 30. Kerb: Three months £627, 26, 27, 28, 27.5, 27, 27.5.

Alumin'm	a.m. Official	+ or −	p.m. Unoffic'l	+ or −
	£	£	£	£
Spot	610-11	−2	609-10	−5
3 months	630-.5	−1	629-30	−1.75

NICKEL—Firmer on currency considerations and the stocks decline which lifted forward metal from £3,000 to £3,030 before a close of £3,010. Turnover: 384 tonnes.

Morning: Three months £3,020, 30, 25, 20, 25, 30. Kerb: Three months £3,025. Afternoon: Three months £3,015, 20, 15. Kerb: Three months £3,010, 15, 10.

NICKEL	a.m. Official	+ or −	p.m. Unoffic'l	+ or −
Spot	3035-40	+80	3005-12	+51
3 months	3025-30	+58	3010-5	+55

* Cents per pound. ‡ MS per kilo. † On previous unofficial close.

SILVER

Silver was fixed 5.4p an ounce lower for spot delivery in the London bullion market yesterday at 514.6p. U.S. equivalents of the fixing levels were: spot $10.88, down 25c; three-month $11.402, down 17.8c; six-month $11.931, down 14c; and 12-month $12.752, down 14c. The metal opened at 516-523p ($10.85-11.00) and closed at 512-519p ($10.80-10.95).

SILVER per troy oz.	Bullion fixing price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	514.60p	−5.40	516.5p	−5.0
3 months	530.10p	−5.40	531.5p	−2.75
6 months	546.20p	−5.0	—	
12 months	577.55p	−2.65	—	

LME—Turnover 128 (61) lots of 10,000 ozs. Morning: Three months 529, 28, 27.5, 27. Kerb: Three months 529. Afternoon: Three months 530, 31. Kerb: Untraded.

COCOA

Aggressive Commission House selling caused futures to open weaker than expected against New York's close and thereafter prices remained under pressure to close £15 down. Actuals business was scarce with only scattered offtake found among consumers, reports Gill and Duffus.

COCOA	Yes'rday's Close	+ or −	Business Done
May	908-910	−13.0	917-904
July	928-929	−16.0	939-924
Sept.	945-950	−17.0	951-944
Dec.	976-977	−16.5	987-972
March	997-999	−16.5	1009-92
May	1012-1013	−15.0	1023-10
July	1026-1027	−17.0	1025

Sales: 3,161 (1,800) lots of 10 tonnes.

ICCO Futures—Daily price for May 1: 93.12 (93.50): five-day average 93.60 (94.10).

COFFEE

Early activity consisted mainly of cross and switch trading, neglecting currency factors while keeping in line with New York, reports Drexel Burnham Lambert. Arbitrage transactions were the feature during the afternoon with values drifting lower despite an attempt by dealers to support prices around recent chart points.

COFFEE	Yesterday's Close	+ or −	Business Done
	£ per tonne		
May	1050-52	−11.5	1067-50
July	1065-66	−6.0	1078-65
Sept	1025-67	−7.5	1079-66
Nov	1055-60	−8.5	1072-58
Jan	1050-55	−6.5	1062-55
March	1049-50	−6.5	—
May	1050-58	−4.5	—

Sales: 2,774 (1,848) lots of 5 tonnes.

ICO Indicator prices for May 4 (U.S. cents per pound): Comp. Daily ICA 1976 120.84 (121.34): 20-day average 120.42 (120.47).

GAS OIL FUTURES

The market opened about $6 lower reflecting the sharp falls in New York on Friday and Monday and the increase in U.S. interest rates. Prices fell further, but rallied slightly before the close, reports Premier Man.

Month	Yesterd'ys close	+ or −	Business Done
	$ U.S. per tonne		
June	273.00	−6.00	275.00-71.25
July	273.00	−7.90	275.00-71.25
August	275.25	−6.50	276.00-74.00
September	280.50	−5.50	283.00-78.00
October	285.00	−7.00	289.00-85.25
November	291.00	−6.00	295.00-91.50
December	295.75	−6.25	297.00-95.00
January	300.00	−5.75	302.00-299.00
February	304.00	−7.50	305.50-04.00

Turnover: 806 (734) lots of 100 tonnes.

GRAINS

The market opened unchanged to 15p higher on May barley. Old crop wheat values increased 60-65p in generally quiet trading and closed steady. May barley remained firm, values gaining 65p in quiet trading. New crop wheat held steady in thin volume gaining 10-25p, barley also remained steady to close 5-15p up, Acli reports.

Mnth	WHEAT Yesterd'ys close	+ or −	BARLEY Yesterday's close	+ or −
May	115.80	+0.60	101.70	+0.65
July	117.70	+0.85	—	
Sep	102.50	+0.25	95.75	+0.05
Nov	105.95	+0.15	99.45	+0.05
Jan	109.95	+0.20	103.00	+0.10
Mar	113.70	+0.10	106.45	+0.20

Business done—Wheat: May 115.80-115.35, July 117.75-17.20, Sept. 102.30-102.15, Nov. 106.00-105.90, Jan. 109.95-109.90, March 113.75-113.70. Sales: 76 lots of 100 tonnes. Barley: May 101.70-101.50, Sept. 95.90-95.75, Nov. 99.40 one trade, Jan. 103.00 one trade, March 106.45 one trade. Sales: 79 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No 2 14 per cent May 109, June 107.50, July 107 transhipment East Coast. U.S. Hard Winter 13½ per cent June 106.50, July 106 transhipment East Coast. Maize: French May 127 nominal transhipment East Coast. S. African Yellow June/July 88.50. Barley: English Feed fob June 105.75 paid, Aug. 98.50 seller. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: S. East 100.90, S. West 101.90, W. Mids. 99.70, No. West 100.00. The UK Monetary Coefficient for the week beginning Monday May 11 (based on HGCA calculations using four days exchange rates) is expected to remain unchanged.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 8 tonnes. Minor contracts were under review but support was mentioned in North and South American styles.

RUBBER

The London physical market opened easier, with little interest throughout the day, closing easier. Lewis and Peat reported a fob May price for No. 1 RSS in Kuala Lumpur of 280 (—) cents a kg and SMR at 245 (—).

No 1. R.S.S.	Yest'r'ys close	Previous close	Business Done
June	56.75-58.90	56.00-56.75	—
July	57.60-58.30	57.50-58.10	—
Jly-Sept	58.70-58.80	58.60-57.00	59.10-58.60
Oct-Dec	62.08-62.10	62.00-62.00	62.50-61.80
Jan-Mar	64.75-64.80	64.60-65.00	64.70-64.60
Apl-Jne	67.60-67.70	67.70-67.80	67.60
Jly-Sept	70.40-70.60	70.50-70.60	71.20
Oct-Dec	73.20-73.50	73.50-73.50	—
Jan-Mar	75.80-75.90	76.00-76.30	76.60

Sales: 119 (40) at 15 tonnes, nil (same) at five tonnes. Physical closing prices (buyers) were: Spot 54.75p (55.00p), June 58.75p (same), July 59.25p (59.50p).

SOYABEAN MEAL

The market opened with losses of £3-£2.50 on long liquidation following higher U.S. interest rates, reports T. G. Roddick. Prices remained steady at lower levels with light commercial buying until late in day when fresh selling pushed values to lows of the day and the market closed with losses of about £3.

	Yesterdys Close	+ or −	Business Done
	£ per tonne		
June	132.80-33.5	−3.10	134.40-33.00
August	135.60-34.0	−3.15	134.70-33.70
October	135.20-35.7	−3.40	136.50-35.60
December	137.00-37.2	−3.05	137.50
February	136.50-40.0	−5.00	—
April	138.00-42.0	−2.00	—
June	138.50-44.0	−2.25	—

Sales: 129 (200) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar £171.00 (£175.00) a tonne cif April-May-June shipments. White sugar daily price £191.00 (£200.00).

The market was full of sell-at-best orders at the opening following the sharp decline in New York levels on Monday and first trades were £7.00 below pre-holiday levels. Some short-covering developed but prices again dropped £5 before lifting somewhat at the close, reports C. Czarnikow.

No. 4 Contract	Yest'rdy's Close	Previous Close	Business Done
	£ per tonne		
Aug.	174.00-74.15	183.00-83.25	178.00-72.00
Oct.	176.65-77.00	185.50-85.75	181.50-75.00
Jan.	177.75-77.75	185.00-86.00	182.00-77.00
March	180.50-80.75	189.00-89.50	185.75-80.00
May	182.20-82.50	190.25-90.50	186.00-82.00
Aug	184.10-84.15	191.00-92.00	186.50-84.10
May	185.15-89.15	191.50-94.00	—

Sales: 6,641 (8,862) lots of 50 tonnes.

Tate and Lyle ex-refinery price for 342.6 (same) a tonne for home trade £342.6 (same) a tonne for home trade and £252.5 (£259.0) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean port. Prices for May 1: Daily price 15.35 (15.20): 15-day average 16.78 (17.01).

WOOL FUTURES

LONDON NEW ZEALAND CROSS-BREDS—Close (in order: buyer, seller, business). New Zealand cents per kilo. May 356, buyer, nil; Aug. 370, 374, 372; Oct. 372, 374, 374-373; Dec. 375, 378, 377; Jan. 378, 379, 379-378; Mar. 385, 387, 388-386; May 395, 396, 397-395; Aug. 401, 402, nil; Oct. 402, 404, 404. Sales: 43.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kilo. May 479.0, 480.0, 481.5-479.0; July 487.5, 489.0, 492.0-487.5; Oct. 487.0, 488.0, 490.5-488.0; Dec. 490.5, 491.0, 493.5-490.5; Mar. 498.5, 499.5, 500.5-498.5; May 505.0, 507.0, 506.0; July 512.0, 513.0, 512.5; Oct. 510.0, 512.0, 513.0-512.0. Sales: 266.

PRICE CHANGES

	May 5 1981	+ or −	Month ago
Metals			
Aluminium	£810/815	......	£810/815
Free Mkt	$1295/1325	......	$1425/455
Copper			
Cash w'bar	£823.5	−5.75	£840.5
3 mths	£845.75	−4.5	£861.5
Cash Cathode	£816.5	−6	£834.0
3 mths	£835.75	−5	£848.25
Gold troy oz	$476.5	−13	$512.5
Lead Cash	£328.5	−15.75	£348.5
3 mths	£335.5	−14.25	£353.75
Nickel	£3,504.50	+125	£3,379.50
Freemkt	290/305c	......	290/305c
Platin'mtr'y oz	£213.5	......	£213.5
Freemkt	£216.85	−4.9	£253.55
Quicksilver†	$420/430	......	$416/420
Silver troy oz	514.60p	−5.4	549.40p
3 mths	530.10p	−5.4	565.60p
Tin Cash	£5,875	−42.5	£6,275
3 mths	£5,977.5	−40	£6,375.5
Tungsten 22.04lb	$147.31	−0.25	$149.08
Wolfrm 22.04 lb	$142/145	......	$147/149
Zinc Cash	£393	−8.25	£381.5
3 mths	£403.25	−6	£389.75
Producers	$875		$825/875
Oils			
Coconut (Phil)	$555x	−25	$635
Groundnut	‡		‡
Linseed Crude	£424x		‡
Palm Malayan	$570y		$560
Seeds			
Copra Philip	$380x	−5	$365
Soyabean (U.S.)	$315v	−8	$320.5
Grains			
Barley Fut. Sep	£95.75	+0.05	‡
Maize	£127r		£125
Wheat Fut. Sept	£102.30	−0.25	‡
No2 Hard Wint	£106.50z		£106
Other commodities			
Cocoa ship't	£1,024	−16	£1,029
Future July	£928.5	−16	£959.5
Coffee Ft' July	£1065.5	−6	£1,064.5
Cotton A.Index	88.45c		89.45c
Rubber (kilo)	54.75p	−0.25	51.4p
Sugar (Raw)	£171	−4	£212
Woolt'ps 64s kl.	330p kilo		318p kilo

‡ Unquoted. u May-June. x June. w April-May. v May. y July. † Per 45-lb flask.

POTATOES

LONDON POTATO FUTURES—After an opening, prices firmed rapidly to £1 up, but found resistance to the £60 level on November and all positions slipped slowly to close around the middle of the day's ranges, reports Coley and Harper. Closing prices: Nov. 59.20, +0.4 (high 59.90, low 58.50); Feb. 67.20, +0.5 (high 67.80, low 66.30): April 74½.20, +0.8 (high 74.80, low 73.40). Turnover: 104 (154) lots of 40 tonnes.

TEA AUCTION

LONDON TEA AUCTION—45,198 packages were offered at yesterday's auction. Demand was again strong and general. Assams were firm to dearer. Sylhets were often dearer, and Africans were well supported. Quotations: Quality: 123p per kilo (123p). Medium: 102p per kilo (103p). Plain: 72p per kilo nominal (72p).

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 75.0 to 78.0: Ulster hindquarters 91.0 to 94.0, forequarters 55.0 to 58.0: Eire hindquarters 90.0 to 93.0, forequarters 58.0 to 58.0. Veal: Dutch hinds and ends 120.0 to 126.0. Lamb: English small new Season 96.0 to 98.0, medium New Season 92.0 to 95.0; Imported Frozen New Zealand PL 65.0 to 66.0, PM 64.0 to 64.0. Hoggets: English 74.0 to 84.0. Pork: English, under 100 lb 46.0 to 51.5, 100-120 lb 44.0 to 50.0, 120-160 lb 45.0 to 47.5.

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated. Imported Produce: Oranges—Californian: 72/138 4.50-5.50; Jaffa: Valencia Lates 50/189 4.30-4.85; Cyprus: Valencia Lates 80/120 3.20-3.50; Moroccan: Lates 64/113 3.80-5.00. Lemons—Spain: Trays 25/50 2.20-2.40; Boxes 90/110 5.50; Californian: 115/140 5.80-6.20; Italian: 100/120 4.50-4.80; S. African: 80/100 5.80-6.20; Jaffa: Cases 60/90 5.00-5.20. Grapefruit—Cyprus: 20-kg 40/64 4.40-4.80; Jaffa: 20-kg 36/75 3.85-4.65. Topaz—Jaffa: 22-lb 40/80 4.0-4.50. Apples—S. African: Granny Smith 7.20-7.70, Golden Delicious 7.50-7.80, Starking 6.60-7.20: Chilean: Granny Smith 7.40-7.50: Canadian: Red Delicious 135/150 7.50-8.50, McIntosh Reds 120/160 7.50; U.S.: Red Delicious 8.50-10.00; French: Stark Crimson 40-lb 5.00-6.20, Golden Delicious 40-lb 125/175 4.00-5.00; 20-lb 72 2.40; 84 2.00; Italian: 40-lb Romes 60/70 4.60-4.80; New Zealand: Cox's Orange Pippins 198 10.00, Captain Kidd 8.50, Spartans 7.50; Tasmanian: Jonathan 7.50, Cox's 8.50-8.50. Pears—Belgium: Conference per pound 0.10-0.12; Italian: Passacrassana 0.12-0.14; S. African: Packhams 7.20, Beurre Bosc 6.20, Comice 8.50; Tasmanian: Packhams 40-lb 8.50, Comice 8.50. Grapes—S. African: 9-lb Barlinka 4.20; Chilean: Almeria 7.20. Melons—Chilean: 15-lb 6/13 8.00-9.00. Strawberries—Israeli: Per punnet 8oz 0.50; Spanish: 8oz 0.25; U.S.: 12oz 1.10; Italian: 8oz 0.25. Pineapples—Ivory Coast: Each 0.45-1.00; S. African: Shelford 5/9 2.80-3.20. Bananas—Colombian: Per pound 0.17-0.18. Avocados—Florida: 20/24 6.50; S. African: 14/16 3.50. Tomatoes—Canary: 3.00-3.50; Dutch: 13-lb 4.50-4.80. Onions—Dutch: 7.50-8.50.

English Produce: Potatoes—Per bag 2.20-3.40. Mushrooms—Per pound 0.50-0.60. Apples—Per pound Bramleys 0.08-0.15, Laxtons 0.08-0.12, Cox's 0.14-0.22. Cauliflowers—Per 12 Kent 5.00-6.00, Lincoln 3.20-3.40. Cabbages—Per bag 3.00, White cabbages 3.50. Beetroots—Per bag 1.80-2.00. Lettuce—Per 12, round 1.40-1.60, Cos 10/12 1.50-1.80. Tomatoes—Per 12-lb D 4.50, E 4.20. Leeks—Per 10-lb 1.80-2.00. Rhubarb—Per pound, outdoor 0.80-0.90. Carrots—Per 28-lb 3.20-3.50. Swedes—Per 28-lb Devon 1.80, Yorkshire 1.20-1.50. Radishes—Per pack of 12 x 8oz 1.20, bunches of 12 1.20. Onions—Per 55-lb 60/80 8.00.

*

GRIMSBY FISH—Supply good, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £4.50-£5.50, codlings £2.50-£3.40. Large haddock £3.50-£4.60, medium £3.00-£4.40, small 2.20-£3.00. Best small plaice £3.60-£4.60. Skinned dogfish (medium) £3.00-£5.00. Lemon soles (large) £9.00, (medium) £8.00. Reds £1.90-£2.70. Saithe £1.80-£2.40.

AMERICAN MARKETS

NEW YORK, May 5.

THE shock of rising interest rates continued to take its toll in the futures market. Uncertainty about the Federal Reserve Policy put virtually all markets under considerable pressure except those with clearly positive supply-demand prospects. The advances were limited to cattle markets, while the new-crop maize and soyabean contracts were changed only fractionally, reported by Heinold.

Copper—May 79.30 (79.95), June 80.40 (81.10), July 81.75-81.90, Sept. 84.50-84.60, Dec. 88.50-88.75, Jan. 89.75, March 92.00-92.30, May 94.40, July 96.65, Sept. 98.90, Dec. 102.35, Jan. 103.35, March 105.60.

Potatoes (round whites)—Nov. 72.8-72.9 (71.6), Feb. 79.0-80.5 (79.0), March 84.3-84.4, April 96.6-97.0. Sales: 149.

Tin—585.00-587.00 (592.00-596.00).

Sugar—No. 11: July 14.75-14.85 (15.27), Sept. 15.15-15.25 (15.70), Oct. 15.30-15.35, Jan. 15.45-15.60, March 15.85-15.90, May 16.00-16.05, July 16.15-16.20, Sept. 16.30-16.35, Oct. 16.40-16.45. Sales: 10,300.

CHICAGO, May 5.

Lard—Chicago loose 19.50 (same).

Live Cattle—June 69.65-69.80 (68.82), Aug. 67.60-67.70 (67.05), Oct. 65.80-65.90, Dec. 67.00-67.10, Feb. 68.70, April 69.80, June 70.85.

Live Hogs—June 47.20-47.15 (48.20), July 50.45-50.50 (50.92), Aug. 51.35-51.50, Oct. 50.70-50.80, Dec. 52.90, Feb. 55.10, April 54.42, June 57.20.

‡‡Maize—May 354-354¼ (355¾), July 362-361½ (363¾), Sept. 369¾-369½, Dec. 373¾-373½, March 386¾-386½, May 394-394½.

Pork Bellies—May 47.62 (49.62), July 48.80-48.90 (50.80), Aug. 48.42-48.50, Feb. 65.70-65.90, March 66.15, May 67.55, July 68.80, Aug. 69.50.

†Soyabeans—May 756-756½ (758¼), July 781-780 (782¾), Aug. 790, Sept. 796-797, Nov. 811½-813, Jan. 834, March 857-858, May 874.

‖Soyabean Meal—May 221.5-221.3 (223.3), July 226.5-225.8 (226.8), Aug. 227.7-228.0, Sept. 229.5, Oct. 231.0, Dec. 236.0-236.5, Jan. 239.0, March 246.5, May 250.0.

Soyabean Oil—May 23.05-23.10 (23.17), July 23.88-23.83 (23.96), Aug. 24.30-24.27, Sept. 24.85, Oct. 25.15-25.10, Dec. 25.85, Jan. 26.15, March 26.85, May 27.55, July 28.25-28.30.

†Wheat—May 422½ (430¼), July 432¾-432 (435¾), Sept. 449-448½, Dec. 473-472½, March 496½-495½, May 506.

WINNIPEG, May 5.

§Barley—May 151.05 (149.10), July 152.30 (150.60), Oct. 150.30, Dec. 150.60, March 151.30.

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq feet. ‡ Cents per dozen. †† $ per metric ton.

EUROPEAN MARKETS

ROTTERDAM, May 5.

Wheat—(U.S. $ per tonne): U.S. Two Dark Hard Winter 13.5 per cent June/July 210, Aug. 215. U.S. No. Two Red Winter June 182, July 185. U.S. No. Two Northern Spring 14 per cent May 211, June/July 210, Aug. 212, Sept. 214, Oct. 218, Nov. 222.

Maize—(U.S. $ per tonne): U.S. No Three Corn Yellow afloat 163.50, May 163, June 164.25, July 167, Aug. 169.50, Sept. 169.50, Oct./Dec. 171.50, Jan./Mar. 181.50.

Soyabeans—(U.S. $ per tonne): U.S. Two Yellow Gulfports May 316, June 319, July 321, Aug. 323.50, Sept. 325.50, Oct./Nov. 328.50, Dec. 334.50, Jan. 339.50, Feb. 345, Mar. 348. Option May 312, June 312.50, July 214 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent protein U.S. afloat 280.50 traded, April 280.50, May 280, June 281.50, April/Sept. 285, May/Sept. 286, Nov./Mar. 298. Brazil Pellets afloat 293, April 291, May 291, June 295, May/Sept. 298 sellers.

PARIS, May 5.

Cocoa (FFr per 100 kilos): May 1021/1039, July 1070 asked, Sept. 1081/1108, Dec. 1120/1134, Mar. 1140/1160, May 1150/1170. Sales at call: nil.

Sugar—(FFr per tonne): July 2115/2160, Aug. 2140/2150, Oct. 2094/2100, Nov. 2080/2110, Dec. 2085/2105, Mar. 2142/2150, May 2145/2190, July 2150/2200. Sales at call: nil.

INDICES

FINANCIAL TIMES

May 1	April 30	Month ago	Year ago
258.64	258.61	261.70	274.60

(Base: July 1, 1952=100).

MOODY'S

May 1	April 30	Month ago	Year ago
1103.5	1096.3	1126.5	1090.9

(December 31, 1931=100)

DOW JONES

Dow Jones	May 1	April 30	Month ago	Year ago
Spot	398.23	401.80	417.45	422.33
Fut'rs	412.04	412.85	425.37	425.74

(Average 1924-25-26=100).

REUTERS

May 5	May 1	M'nth ago	Year ago
1680.4	1687.9	1695.5	1702.9

(Base: September 18, 1931=100)

Widespread weakness in two main investment sectors leaves Gilts £2⅜ down and 30-share 15.0 off at 576.9

Account Dealing Dates

Option *First Dealings	Declara-tions	Last Dealings	Account Day
Apr. 10	Apr. 29	Apr. 30	May 11
May 1	May 14	May 15	May 26
May 18	May 28	May 29	June 8

* "New time" dealings may take place from 9 am two business days earlier.

Widespread weakness developed in both main investment areas of London stock markets yesterday following Monday's drop in Wall street values on soaring U.S. short-term interest rates. London equity markets were forced to absorb sizeable lines of stock from institutional sources and, with smaller profit-takers also active in the first hour or so of business, the tone turned quite heavy. Overseas selling of Government securities became apparent and quotations fell as much as 2⅜ points in a market extremely unwilling to take stock because of the continuing lack of buying incentive.

Concern that the latest U.S. moves would further postpone the hoped-for cut in Minimum Lending Rate was the major depressant and, although leading shares steadied late in the afternoon, little evidence appeared of a genuine recovery. More encouraging surveys on the economy were disregarded and almost every equity sector sustained losses ranging to double figures. Oil shares provided one of the few exceptions, along with occasional situation stocks.

At the 10 a.m. calculation, the FT Industrial Ordinary Share Index was 11.8 down and the fall was extended to 16.6 at 2 p.m. before a close of a net 15.0 lower at 576.9. This represents the largest percentage fall in a day since March 11 following the Budget, when the index was standing at 470.0: its closing peak since was last Thursday's 597.3.

British Funds fell progressively to close only fractionally above the session's lowest. The increasing attractions of overseas markets was a depressing influence, while the possibility of fresh Government funding was also a deterrent to buyers. The high-coupon Treasury 15¼ per cent 1996 ended 2⅜ lower at 104¼, while the £15-paid short tap, Treasury 11¾ per cent 1985, dropped 1 5/16 to 13 — its lowest yet. The FT Government Securities Index plunged through its 1981 low recorded in January and closed 1.35 down at 67.23 — its lowest since June 2, 1980.

Corporations were not immune and the recently-issued 25-year Swansea 13¾ per cent 2006 (£25-paid) tumbled 2 7/16 to 23¾ and and the similarly dated Leeds 13½ per cent stock fell 1 15/16 to 7¼ in £10-paid form.

The introduction of put Traded options was something of a disappointment with no deals arranged. Calls traded amounted to 1,260—well below last week's daily average of 1,947. ICI attracted 211 trades, while continued bid speculation resulted in 196 deals in RTZ.

CBA/ANZ merger talks

Confirmation that Commercial Bank of Australia and Australia and New Zealand Bank are engaged in merger discussions prompted improvements in both yesterday: the former, which had risen 66 last week on first news of a bid approach, added 15 afresh to 245p, while the latter firmed 5 to 245p, after 248. National Bank of Australasia added 13 to 193p in sympathy. Still reflecting Friday's announcement that the bids from Standard Chartered and Hong Kong and Shanghai are to be referred to the Monopolies Commission, Royal Bank of Scotland lost 7 more to 165p: the interim results are due tomorrow. The major clearers succumbed to the general dull trend with sentiment still affected by the sector's prevailing pay dispute. Barclays shed 11 to 415p and NatWest 8 to 380p, while Midland gave up 7 at 315p and Lloyds 5 to 337p.

Closing falls in Insurances ranged to 14. Sun Alliance lost that much to 800p and GRE 12 to 334p. Ahead of tomorrow's first-quarter results, General Accident shed 10 to 344p. Pearl also cheapened 10, to 428p, and Hambro Life dipped 9 to 346p.

Breweries closed with sizeable losses across the board. Allied shed 3 to 74p and Bass declined 10 at 241p, while Arthur Guinness, 78p, and Whitbread, 165p, both eased around 5. Wines and Spirits also trended lower with Distillers losing 7 at 221p, and Arthur Bell 6 at 136p.

A firm and active sector of late in the wake of several encouraging trading statements, Buildings trended easier on sporadic selling and lack of support. Among the leaders, BPB closed 9 down at 281p and Redland 5 off at 190p. John Mowlem were quoted at 168p ex the rights issue, down 2, with the new nil paid shares at 27p premium. Against the trend, French Kier improved a penny to 81p, after 82p, following the improved annual profits and the announcement that Trafalgar House had acquired a near-15 per cent stake in the company. Thomas Warrington gained 9 to 75p on the increased annual profits an dividend, while demand ahead of Friday's interim figures left Pochins 10 dearer at 245p. Aberdeen Construction, preliminary results tomorrow, hardened a penny to 195p, while Robert Adlard firmed 5 to 125p in response to the increased annual profits. A Press mention stimulated interest in Sheffield Brick, which rose 6 to 40p.

ICI came under early pressure and dipped to 310p before closing 10 down on balance at 312p. Among other Chemicals, Rentokil gave up 4 to 164p despite the chairman's optimistic statement at the annual meeting.

Mothercare please

Leading Stores reacted on profit-taking and although a firmer tone was noted in the late business closing falls still ranged to 5. British Home, 176p, and Gussies A, 495p, both shed that much while UDS, annual results tomorrow, gave up 3 at 71p. Mothercare provided a notable exception, closing 4 better at 256p on full-year profits at the top end of market estimates. In dull Newsagents, W. H. Smith, 180p, and NSS, 184p, gave up 4 and 6 respectively: the latter's preliminary results are due next Tuesday. First-half results from J. Hepworth were deemed a shade disappointing and the shares eased 3 to 114p. Milletts Leisure fell 4 to 163p in front of today's annual figures, but Harris Queensway rose that amount to 240p, after 242, after favourable comment, as did Grant Bros., to 140p.

An early bout of selling took its toll on the Electrical leaders. Closing levels were up to 5 above the day's lowest, but falls still ranged to 15p. Philips' Lamps lost that much to 400p, while Plessey cheapened 8 to 301p, after 298p and Thorn EMI 7 to 395p, after 394p, and GEC 7 to 663p, after 658p. BICC gave up 6 to 234p following the chairman's annual statement. Elsewhere, Standard Telephones and Cables fell 15 to 505p and Ferranti lost 25 to 500p, while Telephone Rentals, following some disappointment with the results, cheapened 10 at 318p. Ward and Goldstone gave up 6 to 103p, after 100p. By way of contrast, Vitatron jumped 25 to 95p. Reflecting business transacted late on Friday, Molynx, formerly M. Mole, opened higher and closed 28p for an overall gain of 10.

Sellers gained the upper hand in the Engineering leaders where John Brown sustained a fall of 5 to 93½p, and Hawker lost 12 at 336p, after 334p. Tubes gave up 10 to 212p while GKN, 178p, and Vickers, 195p, fell 8 apiece. Elsewhere, Ayrshire Metal shed 6 more to 60p on further consideration of the poor preliminary figures. Still reflecting the group's £28.8m fund-raising call, Northern Engineering declined 5½ more to 79p. Desoutter lost 8 at 122p and Davy Corporation cheapened 7 to 175p. Babcock International shed 6 to 134p and W. G. Allen closed a similar amount down at 64p. Victor Products (Wallsend), on the other hand, found support at 175p, up 20, and Ransome Sims and Jefferies advanced 9 to 195p. Concentric added 3 to 37p: the interim results are due shortly.

Foods were subjected to small selling. Associated Dairies, 208p, and Kwik Save, 219p, both lost 6, while Tesco cheapened 2½ to 68½p. J. Sainsbury, however, held at 425p awaiting today's preliminary results. News that the finance director had resigned unsettled Unigate which closed 5 down at 113p.

Savoy A rose 5 to 193p on the increased bid from Trusthouse Forte, 6 down at 164p.

Miscellaneous industrial leaders took a distinct turn for the worse. Unilever fell 18 to 528p, Reed International 12 to 270p and Metal Box 10 to 212p. Bowater gave up 9 to 263p and Boots cheapened 6 to 246p as did Beecham, to 187p. Elsewhere, Whatman Reeve Angel stood out with a rise of 15 to 123p on the sale of a loss-making subsidiary, while Channel Tunnel added 7 to 165p, after 170p, in response to comment on British Steel's plan for a "Chunnel" link. Philip Harris put on 5 to 82p and Lesney Products rallied 2 to 28p. British Aerospace, however, lost 11 on profit-taking to 217p, while BTR fell 16 to 470p. Amalgamated Metal gave up 10 to 290p and Sothebys declined 12 to 473p. European Ferries softened 5 to 162½p ahead of next Monday's annual results, while Hawtin shed 1½ to 9p on further consideration of the poor figures. Dealings in Johnson and Barnes were suspended at 7p pending a further announcement.

Intervision shed 6 to 49p following a "sell recommendation." Elsewhere in the Leisure sector, Associated gave up 5 to 141p on fears of increased taxes on gaming machines.

Concern over rising U.S. interest rates prompted nervous selling in Properties. Land Securities losing 4 to 424p and MEPC 7 to 232p. Samuel drifted off to close 6 down at 116p, while British Land shed 4 to 98p. Recently firm Trust Securities encountered profit-taking and dipped 15 to 345p, while Rosehaugh gave up 12 to 288p. Against the trend, Regalian added 3 to 39p on speculative interest, while Dares Estates gained 4 to 26½p, the latter following favourable Press comment.

Oils quiet

Inclined easier at first on Wall Street influences, leading Oils steadied to close with only modest losses on balance. Tricentrol, 262p, and Ultramar, 443p, lost 2 apiece; both companies announce first-quarter figures today.

Investment Trusts reflected the easier trend elsewhere in equities. RIT closed 10 lower at 370p, while Alliance Trust shed 6 at 262p. Among Financials, preliminary results from S. Pearson proved to be no worse than the market had feared and the shares, down to 225p awaiting the announcement, rallied to close 7 dearer on balance at 235p; subsidiary Pearson Longman also reported better-than-expected results and added 3 to 185p.

Shippings plotted an irregular course. A shade easier for most of the session, P and O deferred attracted late support in front of today's annual results and closed a net 2 better at 159p. Buying in a thin market lifted Common Bros. 5 to 295p; yesterday's scheduled board meeting has been postponed. Hunting Gibson eased a couple of pence to 152p in front of today's results, but a "buy" recommendation in the wake of last week's good first-quarter figures lifted Gotass-Larsen 20 to 380p.

The strength of the dollar, reflecting the recent increases in American interest rates, prompted a fall of $13 in the bullion price to $476.50 an ounce and encouraged persistent light selling of South African Golds. The Gold Mines index gave up 4.9 to 351.6.

London-based financials came under pressure at the outset, in line with UK equities, but staged a modest rally towards the close. Rio Tinto-Zinc ended a net 5 cheaper at 525p, after 520p, while Gold Fields closed a like amount off at 470p, after 467p, and Charter 7 down at 258p, after 255p.

South African Coals showed Transvaal Consolidated Land ¼ down at £25 despite the increased interim dividend. "Amcoal" gave up a similar amount to £16.

Another poor performance in overnight Sydney and Melbourne markets led to a further decline in Australians. The chairman's warning of substantially lower profits in the current year left CRA 12 cheaper at 242p. Haoma Gold dipped 6 to a 1981 low of 58p reflecting the recent decline in Strata Oil, in which Haoma has a near-17 per cent interest.

On the other hand, Central Pacific Minerals improved 10 more to 145p following the upgrading of the Condor oil-shale deposit. In the speculative stocks, Metramar advanced 4 to a 1981 high of 38p and Spargos Exploration gained 6 to 34p. Cultus Pacific returned from suspension at 35p, compared with the pre-suspension 38p despite news that the company's U.S. subsidiary has discovered oil in three U.S. wells.

Elsewhere, Amax dropped £3½ to £22¾ following the withdrawal of the takeover bid from Standard Oil of California.

FINANCIAL TIMES STOCK INDICES

	May 5	May 1	Apr. 30	Apr. 29	Apr. 28	Apr. 27	A year ago
Government Secs.	67.23	68.58	68.90	68.82	68.83	69.18	68.25
Fixed Interest	70.12	70.95	70.95	70.91	70.90	71.20	67.68
Industrial Ord.	576.9	591.9	597.3	579.9	574.6	586.0	444.9
Gold Mines	351.6	356.5	346.7	346.5	353.4	355.8	296.4
Ord. Div. Yield	5.70	5.57	5.51	5.66	5.73	5.62	7.92
Earnings, Yld. % (full)	11.25	11.00	10.88	11.16	11.28	11.08	19.36
P/E Ratio (net) (*)	11.13	11.39	11.50	11.18	11.06	11.27	6.27
Total bargains	25,448	26,422	28,244	25,814	27,733	28,386	20,245
Equity turnover £m.	—	172.06	232.77	164.75	165.89	171.28	87.65
Equity bargains	—	21,936	24,435	21,495	22,205	24,435	13,701

10 am 580.1. 11 am 578.5. Noon 577.9. 1 pm 575.7. 2 pm 575.3. 3 pm 575.9.
Latest Index 01-246 8026.
*Nil = 10.28.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS

	1981 High	1981 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.61 (20/6)	67.23 (5/5)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	72.01 (20/6)	69.98 (16/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	597.3 (30/4)	446.0 (14/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	421.1 (16/1)	281.4 (28/1)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	May 1	Apr. 30
—Daily Gilt Edged Bargains	170.4	155.6
Equities Bargains	142.1	158.3
Value	347.8	450.3
5-day Avrge. Gilt Edged Bargains	164.6	158.4
Equities Bargains	148.4	153.8
Value	362.5	398.3

NEW HIGHS AND LOWS FOR 1981

The following shares quoted in the Share Information Service yesterday attained new Highs and Lows for 1981.

NEW HIGHS (83)

BRITISH FUNDS (2)
AMERICANS (3)
CANADIANS (2)
BANKS (2)
BUILDINGS (9)
CHEMICALS (1)
DRAPERY & STORES (4)
ELECTRICALS (5)
ENGINEERING (10)
FOODS (2)
INDUSTRIALS (14)
LEISURE (2)
MOTORS (3)
NEWSPAPERS (2)
PAPER (1)
PROPERTY (1)
SHOES (1)
SOUTH AFRICANS (1)
TEXTILES (3)
TRUSTS (8)
OIL & GAS (1)
RUBBERS (1)
MINES (5)

NEW LOWS (51)

BRITISH FUNDS (26)
CORPORATION LOANS (4)
LOANS (1)
FOREIGN BONDS (1)
CANADIANS (1)
CHEMICALS (1)
LEISURE (2)
TEXTILES (1)
OIL & GAS (8)
MINES (6)

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	82	3
Corpns. Dom. & Foreign Bds.	—	37	30
Industrials	142	525	702
Financial & Props.	33	274	189
Oils	19	50	14
Plantations	4	5	14
Mines	37	75	54
Others	30	86	58
Totals	267	1,144	1,064

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
Bowater	263	−9	Plessey	301	−8
French Kier	81	+1	Reed International	270	−12
GEC	663	−7	RTZ	525	−5
ICI	312	−10	Savoy A	193	+5
Pearson (S.)	235	+7	Thorn EMI	395	−7
P. & O. Deferred	159	+2	Tube Invs.	212	−10

FRIDAY ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of price changes	Fri.'s closing price pence	Day's change	Stock	No. of price changes	Fri.'s closing price pence	Day's change
GEC	20	670	−18	BAT Inds.	13	350	−12
RTZ	16	530	−20	BP	13	390	+10
Rothmans	16	66½	−7	ICI	13	322	−4
Ultramar	16	445	+15	Kwik Save	13	225	−6
Ryl. Bk. Scot.	15	172	−14	Racal Elec.	13	379	−2
LASMO	14	558	+33	Wimpey (G.)	13	122	−7
P. & O. Defd.	14	157	−6	Burmah Oil	12	149	+6

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
May 11	May 22	Aug. 6	Aug. 17
May 26	June 5	Aug. 26	Sept. 7
June 8	June 19	Sept. 10	Sept. 21

For rate indications see end of Share Information Service

Call were taken out in KCA, Grindlays, Intervision, Town and City Properties, Courtaulds, Premier Oil, Lasmo, Ultramar, Dares Estates, ICL, UKO International, French Kier, Endeavour, Carless Capel, Burmah, Conex, De Beers Deferred, Britannia Arrow, Singlo and FNFC. Puts were completed in Rothmans, ICI, Tubes, Lucas, UDS, Metal Box, Raden Carrier and GKN, while doubles were arranged in Premier Oil, P and O Deferred, Marks and Spencer and BP.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues., May 5, 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Fri. May 1 Index No.	Thurs. April 30 Index No.	Wed. April 29 Index No.	Tues. April 28 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (214)	354.96	−2.0	10.89	4.45	11.36	362.16	364.57	358.79	356.89	241.58
2	Building Materials (25)	329.97	−1.3	13.60	5.38	8.86	334.34	332.11	325.29	321.19	238.01
3	Contracting, Construction (28)	600.15	−1.3	15.75	4.51	7.64	608.12	610.27	589.43	588.40	356.57
4	Electricals (28)	1063.84	−1.5	8.20	2.50	15.14	1080.20	1101.89	1087.95	1085.01	633.90
5	Engineering Contractors (11)	490.03	−3.2	13.03	5.28	9.38	506.22	512.20	504.20	494.34	285.52
6	Mechanical Engineering (70)	221.67	−2.8	12.82	5.52	9.79	228.06	229.06	226.29	225.00	160.86
8	Metals and Metal Forming (13)	176.96	−2.9	8.92	6.91	14.65	182.17	181.34	177.27	176.39	167.63
9	Motors (21)	110.98	−1.6	7.65	6.90	20.31	112.76	111.21	109.66	109.20	105.02
10	Other Industrial Materials (18)	377.52	−2.8	10.96	5.45	10.97	388.57	387.79	383.32	382.20	0.00
21	CONSUMER GROUP (195)	287.99	−2.2	12.65	5.49	9.66	294.41	294.75	287.17	284.77	220.66
22	Brewers and Distillers (20)	312.50	−3.0	14.84	5.86	8.00	322.09	320.86	314.18	311.64	282.35
25	Food Manufacturing (21)	261.41	−2.9	14.62	6.04	8.26	269.21	268.80	261.29	260.43	194.00
26	Food Retailing (14)	546.62	−1.7	8.31	2.97	14.24	556.21	548.36	533.15	535.97	299.38
27	Health and Household Products (7)	305.65	−2.5	8.84	4.69	13.46	313.43	315.47	305.45	301.60	191.04
29	Leisure (22)	440.80	−1.8	11.64	5.10	10.40	448.77	444.48	439.57	437.06	296.45
32	Newspapers, Publishing (12)	516.08	−0.8	16.30	5.46	8.04	520.13	513.75	514.77	512.46	406.28
33	Packaging and Paper (14)	156.31	−3.4	17.08	7.38	6.87	161.79	161.26	155.35	154.00	132.59
34	Stores (44)	287.40	−1.8	10.30	4.40	12.70	292.70	294.06	287.79	285.54	216.90
35	Textiles (22)	170.54	−0.7	11.70	7.58	11.90	171.73	172.84	168.09	166.49	125.49
36	Tobaccos (3)	254.47	−1.2	20.70	9.75	5.63	257.44	265.71	250.72	241.71	214.96
39	Other Consumer (16)	309.57	−0.6	12.06	6.22	10.77	311.40	310.10	309.83	308.07	0.00
41	OTHER GROUPS (79)	243.75	−1.9	12.66	6.16	9.73	248.42	249.19	243.66	241.92	205.77
42	Chemicals (15)	307.74	−2.8	10.48	6.70	12.11	316.46	320.04	307.53	302.99	306.60
44	Office Equipment (6)	120.94	−2.0	15.24	6.87	7.73	123.40	124.11	123.63	122.69	113.45
45	Shipping and Transport (13)	630.24	−1.1	13.54	5.90	8.82	637.13	642.05	631.61	630.59	512.09
46	Miscellaneous (45)	305.32	−1.1	14.22	5.43	8.66	308.77	305.91	303.24	303.19	247.62
49	INDUSTRIAL GROUP (488)	305.00	−2.1	11.99	5.19	10.24	311.45	312.53	305.79	303.63	229.30
51	Oils (12)	809.64	−1.0	22.01	6.95	5.04	818.17	796.06	782.63	785.89	726.29
59	500 SHARE INDEX	345.42	−1.9	13.77	5.50	8.66	352.08	351.41	344.11	342.35	268.74
61	FINANCIAL GROUP (118)	258.16	−1.7	—	5.48	—	262.50	261.62	258.06	258.30	204.39
62	Banks (6)	252.48	−2.3	36.64	7.17	3.18	258.46	256.82	255.94	258.59	215.85
63	Discount Houses (10)	304.30	−0.1	—	6.56	—	304.47	308.70	308.03	308.07	250.48
64	Hire Purchase (4)	265.94	+0.3	8.46	4.67	16.35	265.03	266.07	261.78	261.24	212.37
65	Insurance (Life) (10)	258.43	−2.3	—	5.79	—	264.48	267.91	265.82	264.86	183.66
66	Insurance (Composite) (9)	167.99	−1.9	—	7.31	—	171.33	171.86	165.31	164.59	132.47
67	Insurance Brokers (8)	380.53	−1.8	11.64	6.06	11.62	387.57	384.13	371.66	367.26	300.36
68	Merchant Banks (13)	160.11	—	—	4.89	—	160.14	159.38	159.03	160.17	105.70
69	Property (48)	500.94	−1.3	3.09	2.58	44.50	507.50	502.08	498.42	498.04	406.50
70	Miscellaneous (10)	170.72	−0.7	18.54	6.06	6.56	171.89	169.66	169.20	170.17	128.33
71	Investment Trusts (109)	311.98	−1.3	—	4.95	—	316.13	314.98	312.52	311.90	216.88
81	Mining Finance (3)	253.69	−1.2	13.51	5.29	8.67	256.70	261.78	255.13	238.84	180.71
91	Overseas Traders (20)	479.47	−0.9	11.23	6.08	10.92	483.95	481.29	476.99	477.73	379.11
99	ALL-SHARE INDEX (750)	326.88	−1.8	—	5.47	—	332.77	332.18	326.02	324.31	252.76

FIXED INTEREST

	PRICE INDICES	Tues. May 5	Day's change %	Fri. May 1	xd adj. today	xd adj. 1981 to date
	British Government					
1	5 years	107.54	−0.81	108.42	—	3.75
2	5-15 years	108.30	−1.97	110.48	—	3.86
3	Over 15 years	111.26	−2.19	113.75	—	4.65
4	Irredeemables	120.34	−2.45	123.36	—	6.23
5	All stocks	108.70	−1.69	110.57	—	4.07
6	Debentures & Loans	87.01	−0.90	87.80	—	3.76
7	Preference	67.31	−0.40	67.58	—	2.88

	AVERAGE GROSS REDEMPTION YIELDS		Tues. May 5	Fri. May 1	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	12.03	11.76	12.17
2		15 years	12.57	12.30	12.08
3		25 years	12.69	12.42	12.08
4	Medium Coupons	5 years	13.89	13.42	13.85
5		15 years	14.28	13.90	13.72
6		25 years	13.92	13.59	13.59
7	High Coupons	5 years	13.88	13.38	14.00
8		15 years	14.46	14.09	14.00
9		25 years	14.09	13.77	14.00
10	Irredeemables †		12.13	11.82	11.23
11	Debs & Loans	5 years	14.55	14.43	14.74
12		15 years	14.67	14.51	14.65
13		25 years	14.67	14.51	14.57
14	Preference †		14.67	14.59	15.79

† Flat yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26½p.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price p	+or−	Div. Amount	Times Covered	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue price £	Amount Paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing Price £	+or−
[illegible]							

"RIGHTS" OFFERS

Issue Price p	Amount paid up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing price p	+or−
[illegible]							

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Craigmount Fixed Int. Mngrs. (Jersey)
P.O. Box 195, St. Helier, Jersey. 0534 27561
Gilt Fund (Jsy.) 96.5 96.6 — 13.98
Valued weekly Wednesday.

DWS Deutsche Ges. F. Wertpapiersp
Gruneburgweg 113, 6000 Frankfurt
Investa DM31.70 33.30 −0.60 —

Delta Group
P.O. Box 3012, Nassau, Bahamas
Delt. Inv. April 28 $4.80 5.04 −0.02 —
London Agents, Kleinwort Benson. Tel. 01-623 8000

Hill Samuel Invest. Mgmt. Intnl.
P.O. Box 63, Jersey. 0534 27381

HS Channel Is. Fd.	152.0	162.1	−0.8	3.25
H.S. Fixed Int. Fd.	91.0	96.0	−2.0	12.50

Box 2622, Berne, Switzerland. Telex 33425.

H.S. Overseas Fd.	US$24.95	25.95	−0.52	—
CSF Fd. (Acc.)	SF18.82	19.21	−0.09	—
Crossbow Fd.	SF7.07	7.19	−0.04	—
ITF Fd. (Acc.)	US$13.72	13.98	−0.28	—

Rothschild Asset Management (C.I.)
P.O. Box 58, St. Julians Ct., Guernsey. 0481 26331

O.C. America Fd.†	US$2.80	2.97	—	0.57
OCSm. Co.***	123.9	131.8	—	2.50
O.C. Commodity*	93.9	99.8	—	7.21
O.C. Dir. Comdty.†	US$44.63	47.26	—	1.56
O.C. Hong Kg. Fd.†	HK$35.87	38.15	—	—
O.C. Sterling Fd.**	£13.580		+0.005	—

[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Am. Gth. Tst.	60.6	65.2	+0.1	2.22
Abbey Capital	52.4	56.7xd	-0.8	3.86
Abbey General	60.8	65.7	-1.4	4.67
Abbey Gilt & F.I. 1st.	103.9	109.4	-1.8	11.97
Abbey Income	40.1	43.5xd	-0.5	8.11
Abbey W'w.Bd.Tst.	96.0	101.6	.....	6.59
Abbey Inv. Tst. Fd (z)	54.4	58.8	.....	4.08
Equitas Prog. Tst. (z)	87.3	94.4xd	.....	4.35

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt Trust	82.7	87.0xd	-3.4	13.00

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	96.7	103.5	-1.7	5.01
Brit. Inds. Fund	84.1	90.0	-1.7	5.67
Growth & Income	54.7	58.7	-1.0	4.60
Elect. & Ind. Dev.	48.3	51.7xd	-0.8	4.82
Allied Capital	102.5	109.7xd	-1.8	4.01
Hambro Fund	143.9	154.0	-2.6	5.40
Hambro Acc. Fund	194.8	208.4	-3.5	3.93
Income Funds				
High Yield Fd.	74.0	79.2	-1.0	7.58
High Income	87.5	93.6	-1.3	6.84
Equity Income Fd.	50.3	53.8	-1.0	6.80
Govt. Secs.	24.3	24.9xd	-0.5	12.45
International Funds				
International	36.8	39.4	-0.5	2.11
Japan Fund	27.2	29.0	+0.1	0.22
Pacific Fund	73.6	78.8	-0.2	0.79
Secs. Of America	80.0	85.6	-0.8	1.87
Specialist Funds				
Smaller Co.'s Fd.	62.5	66.9	.....	3.89
2nd Smlr. Co's Fd.	76.6	82.0	-0.1	3.66
Recovery Sits.	30.1	32.2xd	-0.4	4.72
Met. Min. & C'dty.	69.6	74.5xd	-0.7	4.93
Overseas Earnings	74.7	79.9	-1.5	4.62
Exempt Funds♦				
Income Exempt	57.3	60.2	-0.6	7.06
Far East Exempt	77.8	80.9	+0.1	0.93
Smaller Co. Exempt	99.0	103.9xd	.....	3.85
U.S.A. Exempt	131.8	137.1	-1.7	2.26

Anderson Unit Trust Managers Ltd.
158, Fenchurch St., EC3M 6AA. 623 9231.

Anderson U.T.	72.4	77.6	-1.5	3.20

Ansbacher Unit Mgmt. Co. Ltd.
1, Noble St., EC2V 7JA. 01-726 4931

Inc. Monthly Fund	165.0	175.0	.....	12.00
Leics.&Gen.Fd.	54.0	57.0	.....	—

Anthony Wieler Unit Tst. Mgmt. Ltd.
19, Widegate St., London, E1 7HP. 01-247 8827

Wieler Gwth Fd. Inc.	42.75	45.0	.....	3.20
Do. Accum.	54.38	57.25	.....	3.20

Arbuthnot Securities Ltd. (a)(c)
37, Queen St., London, EC4R 1BY. 01-236 5281

Capital†	38.5	41.4	+0.1	—
Commodity***	94.6	101.2	.....	2.40
(Accumulation)	148.0	158.3	.....	2.40
(10% Withdrawal)	71.4	73.6	.....	2.40
Eastern & Internat'l.†	48.9	52.6	+0.3	1.00
(6% Withdrawal)	33.4	36.0	+0.2	1.00
Extra Income	95.4	102.6xd	-5.4	9.60
(Accumulation)	119.8	128.9xd	-0.8	9.60
Finance & Property*	28.0	30.1	-0.1	3.59
Foreign††	142.7	148.7	.....	1.00
Giants	52.9	56.9	-0.6	4.03
(Accumulation)	69.2	74.5	-0.8	4.03
Gilt & Fixed	40.4	42.4xd	-0.9	11.91
(Accumulation)	45.0	47.2xd	-1.0	11.91
Growth	47.8	51.4	-0.4	3.79
(Accumulation)	62.9	67.7	-0.6	3.79
High Income	39.3	43.8	-1.3	8.39
(Accumulation)	67.7	74.0	-1.3	8.39
(8½% Withdrawal)	52.6	57.5	-1.3	8.39

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	44.0	47.5	-0.4	0.53
Cres. Internat'l.	87.6	94.6	-0.2	1.65
Cres. High. Dist.	47.8	51.6xd	-0.7	9.20
Cres. Reserves	54.4	58.7	-0.9	5.00
Cres. Tokyo	37.0	39.9	+0.1	0.88

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	23.6	25.0xd	.....	9.05

Discretionary Unit Fund Managers
36/38 New Broad St., EC2M 1NU. 01-638 4485

Disc. Inc. April 30	266.9	284.6	.....	4.60

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	20.7	22.8	+1.0	6.17
Gt. Winchester O'seas	30.2	33.3	+0.7	3.29

For Emson and Dudley see Robert Fraser Tst. Mgmt.

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	97.6	102.7xd	.....	4.21

Fidelity International Management Ltd.
62-63 Queen St., London EC4 1AD 01-248 4891

American (z)	40.1	43.2	-0.6	0.56
Amer. Spec. Sits. (z)	29.0	31.2xd	-0.4	0.25
Gilt + Fixed Int.	24.5	25.7xd	-0.4	12.22
Growth + Income	36.2	39.0	-0.3	6.14
Maximum Inc. Eq. Tst.	31.5	33.9	-0.2	7.95
Special Sits.	43.7	47.0	-0.5	1.62

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l.	41.1	44.2	.....	1.76
Accum. Units	51.0	54.8	.....	1.76
J. Finlay High Income	39.2	42.1	.....	9.20
Finlay Wld. Energy	17.9	19.2	+0.1	1.29
Accum. Units	23.1	24.8	+0.1	1.29
J. Finlay Fd. In. Tst.	41.8	45.0	.....	4.80
Accum. Units	54.3	58.3	.....	4.80

Prices on April 29. Next dealing May 6.

Framlington Unit Mgt. Ltd. (a)
64, London Wall, EC2M 5NQ. 01-628 5181

Robert Fraser Trust Mgt. Ltd.
28b Albemarle St., W.1. 01-493 3211

Robt. Fraser Ut. Tst.	87.1	93.7xd	.....	6.00

Friends' Provdt. Trust Mgrs. (a) (b) (c).
Pixham End, Dorking. 0306 5055

Friends Prov. Units	69.1	73.8xd	-0.8	3.96
Do. Accum.	100.8	107.8	-1.1	3.96

Funds in Court*
Public Trustee, Kingsway, WC2. 01-405 4300.

Capital April 15	145.8	148.7xd	.....	4.71
Gross Inc. April 15	86.0	88.2	.....	10.86
High Yield April 15	98.9	104.3	.....	9.97

*Unauth. Restricted to monies under Court control.

G.T. Unit Managers Ltd.♥
16, Finsbury Circus, EC2M 7DJ. 01-628 8131

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

Barclays Unicorn International
1, Charing Cross, St. Helier, Jersey. 0534 73741

Bishopsgate Commodity Ser. Ltd.
P.O. Box 42, Douglas, I.o.M.

Bridge Management Ltd.
GPO Box 590, Hong Kong

Britannia Intl. Investment Mngnt. Ltd.
Box 271, Queensway House, Queen Street
St. Helier, Jersey C.I.

Brown Shipley Tst. Co. (Jersey) Ltd.
P.O. Box 583, St. Helier, Jersey.

Butterfield Management Co. Ltd.
P.O. Box 195, Hamilton, Bermuda.

CAL Investments (IoM) Ltd.

Capdirex S.A.
P.O. Box 178, 1211 Geneva 12

Capital Asset Managers Ltd.

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FT SHARE INFORMATION SERVICE

BRITISH FUNDS

1981 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99½	97⅝	Exch. 8¼pc 1981	99½	+⅛	8.27	11.18
99½	97¼	Exch. 9½pc 1981	99½	+⅛	9.55	11.85
97½	93¾	Exch. 3pc 1981	97½	......	3.08	11.79
99½	99⅛	Treas. Variable '81‡‡	99½xd	...	13.45	12.26
100½	99¼	Exch. 12¾pc 1981‡‡	100½xd	−⅛	12.67	11.64
97⅞	95½	Treas. 8½pc '80-82‡‡	97⅝	−¼	8.70	12.05
95	91⅞	Treasury 3pc '82‡‡	94⅞	....	3.18	10.64
102½	100½	Treasury 14pc '82‡‡	101½	−⅛	13.78	11.94
99	98½	Treas. Variable '82‡‡	98½	−⅛	11.93	12.89
95¼	93½	Treasury 8¼pc '82	95⅛	−⅛	8.67	12.85
96½	93½	Exch. 9¼pc 1982	95⅛	−⅛	9.72	12.14
94⅞	92⅞	Exch. 8¼pc 1983	93⅞	−⅛	9.32	12.90
89¼	84⅞	Exch. 3pc 1983	88½	−¼	3.39	10.22
99⅞	97⅛	Treasury 12pc 1983‡‡	97½	−⅛	12.30	13.52
98½	96¼	Treas. Variable '83‡‡	98¼xd	−⅛	13.52	12.83
94½	92¼	Treasury 9¼pc '83	92⅞	−⅛	10.01	13.32
101½	99⅞	Exch. 13½pc '83	99⅞xd	−⅛	13.51	13.56
94⅛	92¼	Exch. 10pc 1983	92¼	−⅛	10.78	13.36
87¼	84½	Funding 5½pc '82-84‡‡	85¼	−⅛	6.41	11.80
96¼	94½	Exch. 11¼pc 1984	94½	−1¼	11.90	13.64
103½	100¾	Exchequer 14pc 1984	100¾xd	−1½	13.89	13.72
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INTERNATIONAL BANK

91	87	5pc Stock '77-82	90½	−¼	5.53	13.17

CORPORATION LOANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Public Board and Ind.

1981 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
64	61¼	Agric. Mt. 5pc '59-89	62	−1½	8.27	13.00
29½	27½	Met. Wtr. 3pc 'B'	28½		11.07	13.31
114	98½	U.S.M.C. 9pc 1982	113½		8.42	—
97¼	93½	Do. without Warrants	96½	−½	9.74	16.00

Financial

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN BONDS & RAILS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS AND HIRE PURCHASE

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, etc.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BEERS, WINES AND SPIRITS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS, PLASTICS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DRAPERY AND STORES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRICALS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRICALS—Continued

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING MACHINE TOOLS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOOD, GROCERIES, ETC.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOOD, GROCERIES—Cont.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HOTELS AND CATERERS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS—Continued

INSURANCE

INSURANCE—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australian

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
40	32	Acmex 50c	40	......	Q2.5c	—	3.3
23	14	ACM 20c	16	−2	—	—	—
21	14	Argosy Gold NL 25c	18½	......	—	—	—
212	137	Bond Corp.	182	......	Q7½c	1.9	2.1
102	76	Bougainville I Kina	92	−1	Q26.2c	1.0	14.8
302	224	CRA 50c	242	−12	Q19c	1.7	4.0
25	17½	Canada Northwest	18	−1	—	—	—
35	17	Carr Boyd 20c	18	......	—	—	—
415	80	Central Pacific	145	+10	—	—	—
35	35	Cons. Gold Min. N.L. 50c	35	......	—	—	—
47	35	Cultus Pacific N.L.	35	−3	—	—	—
32	22	Eagle Corp. 10c	25	......	—	—	—
40	29	Endeavour 20c	31	......	—	—	—
500	310	G. M. Kalgoorlie 25c	400	......	†Q13c	ϕ	1.7
25	11	Great Eastern	11	......	—	—	—
275	180	Hampton Areas 10p	210	......	t2.5	2.4	1.7
168	58	Haoma Gold N.L.	58	−6	—	—	—
85	42	Intl. Mining	48	−2	—	—	—
245	140	Kitchener NL 25c	155	−5	—	—	—
105	45	Leichardt Expln.	50	......	—	—	—
430	275	Meekatharra	340	−10	—	—	—
70	49	Metals Ex. 50c	63	−4	§Q3c	2.9	2.5
38	20	Metramar Mns. 20cts	38	+4	—	—	—
267	190	M.I.M. Hldgs. 50c	258	−1	ϕQ7.6c	1.7	‡
21	11½	Minefields Expl. 25c	14	+2	—	—	—
108	83	Mount Lyell 25c	100	......	ϕ†Q15c	1.7	7.8
20	14	Newmetal 20c	15	......	—	—	—
69	42	Nickelore N.L.	61	......	—	—	—
204	149	North B. Hill 50c	175	+1	Q18c	3.1	5.4
84	50	Nth. Kalgurli	61	−3	—	—	—
175	94	Nth. Mining Corp.	142	−3	—	—	—
122	46	N. West Mining N.L.	46	......	—	—	—
148	106	Oakbridge 50c	130	−4	tQ12c	2.2	4.8
185	138	Otter N. L.	150	......	—	—	—
186	164	Pacific Copper	180	−4	—	—	—
605	475	Pancont'l 25c	525	......	—	—	—
70	42	Paringa M&Ex. 5p	62	−1	—	—	—
525	375	Peko-Wallsend 50c	525	+20	ϕQ22½c	ϕ	2.2
43	27	Pelsart Res NL	38	−2½	—	—	—
120	85	Seltrust A	115	−5	—	—	—
157	34	Southern Pacific	56	−2	—	—	—
72	40	Swan Resources 20c	40	......	—	—	—
18	11	West Coast 25c	11	−½	—	—	—
300	227	Westn. Mining 50c	278	−5	Q14c	1.6	2.6
27	16½	Westmex	16½	−4½	—	—	—
76	50	Whim Creek 20c	50	......	—	—	—
101	68	York Resources	72	......	—	—	—

Tins

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
16	10	Amal Nigeria 1p	11	......	‡6.0	—	—
300	255	Ayer Hitam $M1	255	−5	†Q205c	1.0	‡
67	54	Beralt Tin	66	+2	4.5	3.2	9.7
155	125	Geevor	125	......	‡8 4	1.9	‡
10	8	Gold & Base 12½p	10	......	—	—	—
660	556	Gopeng Cons.	565xd	+5	‡30.0	1.8	‡
450	380	Hongkong	380	−10	21.0	ϕ	7.9
125	115	Idris 10p	118	......	26.0	ϕ	7.3
15	13	Jantar 12½p	15	......	1.5	ϕ	14.3
98	85	Kamunting $M0.50	85	−1	‡Q80c	1.0	‡
775	545	Killinghall $M1	775	......	Q100c	ϕ	2.5
114	88	Malay Dredging 10c	114#	......	ϕtQ38c	0.9	6.4
68	30	Pahang	68	+1	0.44	0.3	0.9
103	90	Pengkalen 10p	90xd	......	3.5	0.6	5.6
380	340	Petaling $M1	340	−5	Q180c	ϕ	10.2
25	19	South Crofty 10p	23	−1	‡1.0	ϕ	‡
225	200	Sungei Besi $M1	210	−5	‡Q480c	1.1	‡
180	95	Supreme Corp. $M1	180	......	ϕQ15½c	ϕ	1.7
118	116½	Tanjong 15p	118	......	21.5	ϕ	1.8
90	75	Tongkah H. Tin $M1	75	......	Q23%	0.4	6.1
410	350	Tronoh $M1	370	......	‡Q250c	0.7	‡

Copper

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
300	165	Messina R0.50	300	......	Q45c	4.7	8.6

Miscellaneous

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
175	142	Anglo-Dominion	170	......	—	—	—
55	40	Barymin	44	−1	—	—	—
24	14	Burma Mines 10p	19	......	0.75	0.9	5.6
315	180	Colby Res. Corp.	240	+5	—	—	—
270	200	Cons. Murch. 10c	270	+10	tQ30c	1.8	6.4
98	75	††Hemerdon 10c	85	......	—	—	—
180	135	Highwood Res.	150	......	—	—	—
400	300	Northgate C$1	350	−10	—	—	—
580	372	R.T.Z.	525	−5	16.0	3.2	4.4
£125	£93½	Do 9½% Cv.Un.Ln. 95-2000	£120	−4	Q9½%	—	(8.3
143	115	††SPO Minerals 10p	115	−3	—	—	—
47	33	Sabina Inds. C$1	37	......	—	—	—
38	28	††SWCM 10p	37	+1	—	—	—
550	465	Tara Exptn. $1	525	+10	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- \# Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ~ Regional price.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ☆☆ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. x Prospective real rate of return. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1980-81. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	44	......	**IRISH**		
Bertam	14	......	Conv. 9% '80/82	£99⅜	......
Bdg'wtr. Est. 50p	500	......	Nat. 9¾% 84/89	£75⅝	+⅛
Craig & Rose £1	£11¼	......	Fin. 13% 97/02	£80¼	+¼
Fife Forge	61	+3	Alliance Gas	79	......
Finlay Pkg. 5p	21	......	Arnott	255	......
Graig Ship. £1	£20	+½	Carroll (P.J.)	87	−1½
Higsons Brew	70	......	Concrete Prods.	95	......
Holt (Jos) 25p	450	+5	Heiton (Hldgs.)	27	......
I.O.M. Stm. £1	157	−1	Ins. Corp.	395	......
Pearce (C. H.)	975	+10	Irish Ropes	53	......
Peel Hldgs.	100	......	Jacob	48	......
Sheff. Refrshmt	102	−1	T.M.G.	25	......
Sindall (Wm.)	175	......	Unidare	100	+10

OPTIONS

3-month Call Rates

Industrials					
A. Brew	6½	House of Fraser	14	Utd. Drapery	6½
BOC Intl.	11	I.C.I.	20	Vickers	15
B.S.R.	4½	"Imps"	7	Woolworths	5
Babcock	11	I.C.L.	6	**Property**	
Barclays Bank	36	Ladbroke	30	Brit. Land	8
Beecham	15	Legal & Gen.	20	Cap. Counties	11
Blue Circle	35	Lex Service	10	Land Secs.	37
Boots	20	Lloyds Bank	28	MEPC	20
Bowaters	24	"Lots"	4½	Peachey	15
Brit. Aerospace	14	London Brick	7	Samuel Propt.	13
B.A.T.	25	Lucas Inds.	18	Town & City	2¾
Brown (J.)	7	"Mams"	20	**Oils**	
Burton Ord.	12	Mrks. & Spncr	9	Brit. Petroleum	36
Cadburys	7½	Midland Bank	26	Burmah Oil	16
Courtaulds	6	N.E.I.	7	Charterhall	9
Debenhams	8	Nat. West. Bank	32	KCA	22
Distillers	17	P & O Dfd.	13	Premier	10
Dunlop	7½	Plessey	30	Shell	34
Eagle Star	22	Racal Elect.	34	Tricentrol	30
F.N.F.C.	3½	R.H.M.	5	Ultramar	44
Gen. Accident	30	Rank Org. Ord.	18	**Mines**	
Gen. Electric	60	Reed Intnl.	20	Charter Cons.	21
Glaxo	28	Sears	5	Cons. Gold	45
Grand Met.	14	Tesco	5½	Lonrho	9
G.U.S. 'A'	44	Thorn EMI	30	Rio T. Zinc	45
Guardian	32	Trust Houses	18		
G.K.N.	16	Tube Invest.	18		
Hawker Sidd	25	Turner & Newall.	10		
		Unilever	50		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each security

FINANCIAL TIMES
Wednesday May 6 1981

Large areas of China gripped by drought

BY TONY WALKER IN PEKING

BIG AREAS of China are in the grip of one of the worst droughts of the century.

It is estimated that in Hubei Province 14m people are most seriously affected by lack of food, but in most of northern China more than 100m are said to face food shortages.

Previously sceptical Western diplomats in Peking are now saying that the Chinese have underestimated the drought problem in talks with aid officials in the interests of not causing alarm throughout the country.

Reports of widespread drought in China have persisted for several months, but the full extent of the shortage of food has only recently become clear to foreign observers.

China's planners bank on a record grain crop this year to overcome the threat of food shortages.

But if the spring plantings fail again over large areas of the North and North-East, and this must be regarded as a possibility, according to experts, then the position will become very severe indeed.

Recent visitors to Shijiazhaung, a city near to the worst-hit area, quote local officials as saying that malnutrition is causing dangerous health problems. It is estimated that round Hengshui, east of Shijiazhuang, 20 per cent of children have rickets because of diet difficiencies.

The Chinese Foreign Ministry is telling foreign correspondents, politely but without explanation, not to bother to apply for permission to travel to Hengshui.

An experienced United Nations official: after visiting the areas south of Peking, described what he had seen as "disastrous." He said people in the stricken areas were so thin and weak that they had little resistance to disease.

He said the position was alleviated only because the Chinese had done "quite a bit" to provide grain to the stricken area.

The Chinese estimate that 15m tonnes of grain have been lost due to the north China drought and last year's floods along the Yangtse in Hubei Province.

The loss has been especially sharply felt as China does not carry large stocks of grain, nor has she the capacity to do so. This makes it difficult to transfer stocks from areas with a surplus.

UN officials privately admit that international efforts are not helped by Chinese sensitivity about the difficulties they face. This is the first time that the country has requested assistance since 1949, and it has been difficult at times to get necessary information.

The drought encircles Peking. At the weekend the Peking Daily urged stricter conservation measures on residents because dams, reservoirs and wells were drying up.

Rainfall in Shanxi Province, south-west of Peking, is down by two-thirds. Only four days water remained yesterday in a reservoir designed to supply farms for several miles round Shijiazhuang.

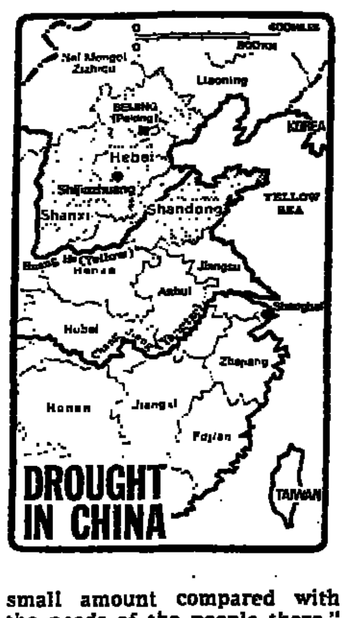
Rations in Hengshui consist of less than half a kilogram of maize per person a day, mixed with dried vegetables. Chinese relief workers are distributing 8.5m vitamin pills supplied by the UN to 350,000 children and pregnant women in the area.

It appears that international reaction to a UN appeal for $700m relief aid has not been good. The EEC has pledged aid worth about $6.2m.

At a Press conference recently Mr. Du Runsheng, a Vice-Minister of the State Agricultural Commission, said that China had always met her obligations to international organisations but had, in the past, "waived the right to enjoy certain help from these organisations."

He said, however, that help in times of need was a "two-way street" and "it is only right for us to have some help when we are in difficulty." He added that international assistance coming into China now was a "very small amount compared with the needs of the people there."

This may turn out to be a major understatement.



Jaguar call for 'urgent survival action'

By Arthur Smith, Midlands Correspondent

JAGUAR CARS warned senior shop stewards yesterday that with losses at about £2m a month "survival action" was urgent.

MBr. John Egan, the chairman, gave no details but tolr representatives of the 8,000 workers that it was necessary to cut "overheads."

No closures are planned, but a further shake-out of labour seems inevitable. Nearly 2,000 jobs have been shed in a series of redundancies i the past 12 months.

Jaguar, part of BL, hopes to cut stock levels, and can be expected to buy from outside components at present made by the company.

One reason for Mr. Egan's statement to the union was to quell rumours of a possible sell-off of Jaguar. BL has stressed its commitment to Jaguar, where a £100m investment is planned in the next few years.

Mr. Egan is thought to have urged the need to contain costs until the launch, fixed for 1984, of the new energy-efficient model, the XJ40.

Jaguar sales, hit by the international recession, strength of sterling and the energy crisis, have been halved in recent years to about 15,000 a year. The hope is that the new models will restore volume to the 30,000 mark.

Mr. Egan told shop stewards that while Jaguar was still profitable in the depressed UK market, no money was being made in a number of overseas markets.

Sir Michael Edwardes, the BL chairman, has already warned of the difficulty of hanging on to exports, givon the level of interest rates and strength of sterling.

Mr. Egan is thought to have stressed to shop stewards that losses of more than £20m last year could not be repeated. Costs had to be cut to make Jaguar viable.

BP executive predicts 75 new oil finds

BY RAY DAFTER, ENERGY EDITOR, IN HOUSTON

MORE THAN 75 new oil fields could be developed in UK waters over the next 20 years, a senior British Petroleum executive said in Houston.

The prospective developments would help keep the UK self-sufficient in oil until well into the 1990s, said Mr. David Walker, chief executive and managing director of BP Petroleum Development (UK). There are 16 fields in production in the UK sector of the North Sea at present, including two which are partly in Norwegian waters.

Mr. Walker told oil men and suppliers at the Offshore Technology conference in Houston, Texas, that the new fields would be smaller and often in deeper waters, than those on stream. He said BP reckoned that 12 new fields, each with an average of 270m barrels of recoverable reserves, would be developed in the next five years.

Between 1985 and 1989 it was possible that 14 fields averaging 85m barrels of recoverable oil, could be developed. From 1990 there were prospects of perhaps 50 fields—averaging 80m barrels—being exploited.

Meanwhile, it was learned here that a group of oil companies with drilling interests in the Moray Firth area are co-operating in a scheme to overcome potential environmental and operational problems in one of the most sensitive exploration areas of the North Sea.

The companies — British National Oil Corporation, Shell, Burmah, Atlantic Richfield, Occidental, Tenneco, Premier Consolidated Oilfields and Kerr McGee—have interests in nine blocks licensed in the Moray Firth. This is an exploration zone in established fishing waters and close to shore.

It is understood that Burmah, now seeking to re-establish a strong presence in the North Sea, called a meeting of Moray Firth operators recently to discuss potential problems. As a result, it was decided that BNOC should chair a further meeting to discuss possible co-operation on the protection of the environment from such hazards as oil spills and drilling debris.

Burmah is to chair a meeting to discuss the co-ordination of operations, such as the movement of drilling rigs and siesmic vessels.

As part of the licence terms, the operators are allowed to use only a limited number of exploration rigs at one time—not more than one in each block and usually not more than three in all. The number of production platforms might also be limited.

BNOC's role arises from its development of the inshore Beatrice Field in the Moray Firth. About £500m is being spent on the development of Beatrice which is due to come on stream later this year. The field will produce waxy oil at a rate of 60,000-70,000 barrels a day.

Chemicals will be added to the oil to reduce its viscosity. Without these chemicals, the oil would fail to flow and would clog the pipeline.

Gas gathering problems, Page 10

Farm union to pursue merger

BY PAULINE CLARK, LABOUR STAFF

LEADERS of the 75,000-strong National Union of Agricultural and Allied Workers yesterday elected to pursue merger plans with the Transport and General Workers' Union. The move underlines the growing pressure on unions to pool resources in the face of falling memberships.

A meeting of the farmworkers' 13-man executive agreed by a two-thirds majority to propose the merger with the country's biggest trade union in a ballot of its membership to follow detailed negotiations with the TGWU on the plan.

If the plan is accepted, it will represent an important prize for the TGWU.

The 75,000 members it stands to gain will cover more than half the total loss of members suffered last year by the TGWU as a result of redundancies and could just bring the union back to the 2m membership level it achieved before the recession deepened.

The decision will come as a blow to the General and Municipal Workers' Union, which has also been closely involved in merger talks with the NUAAW over the past year on the basis of farmworkers' links with its food industry interests.

The merger could be the first to come to fruition this year amid considerable activity at present among a number of unions engaged in amalgamation talks—notably print unions.

Mr. Jack Boddy, general secretary of the NUAAW, could be expected to retain his seat on the TUC general council if the merger takes place. He said yesterday negotiations with the TGWU would proceed "with the objective of arriving at amalgamation terms which can be put to our members in a ballot."

The union has suffered a decline in membership for 10 years as a result of mechanisation on farms. The main impetus for yesterday's decision however is likely to have come from recent failures to achieve satisfactory pay increases for low-paid farm workers.

As a separate section in the TGWU, which already represents Scottish farm workers, the NUAAW would hope to increase its bargaining power because of industrial links with the TGWU's rural lorry drivers.

Continued from Page 1

U.S. rate

of the housing finance institutions and upset European Governments.

So far this year, the economy has proved astonishingly resistant to a regime of high borrowing costs, although for weaker companies dependent on bank debt, the pressures are intense.

The bond markets yesterday were in a state of shock. There has been little or no retail activity in the markets for several days, so bond traders continued to mark down prices

The bellwether Treasury 12¾ per cent bond fell to just over $89 yesterday. At the beginning of April it was trading at over $99.

Building society receipts fall

BY MICHAEL CASSELL

BUILDING SOCIETY receipts fell to their lowest level for nearly a year in April and are not expected to show any significant improvement this month.

Early estimates of the societies' performance in April suggest that net receipts may have fallen to about £200m, compared with £269m in the previous month. The total was less than half the monthly level being achieved at the turn of the year and compares with £266m in April, 1980.

Net receipts have now fallen for five consecutive months in the face of increasing competition for funds in the personal savings sector. Societies are having to draw heavily on liquid funds to supplement their large mortgage lending programme.

The April net receipts figure is not, however, as poor as many societies were expecting. There were fears that competition from National Savings could cut the inflow of new money to £150m, or even lower.

Even so, the societies do not expect a more encouraging pattern this month. The very successful 19th issue of National Savings Certificates is due to be replaced with a less attractive issue on Saturday and societies are ready for a last-minute rush into the 19th issue, which will hit their receipts.

In the first quarter of this year, the societies committed a record £3.13bn to home buyers, a trend which reflects their readiness to run down what is a historically high liquidity ratio. The number of mortgage commitments in the first quarter is estimated at 198,000, representing a higher level than at any time since the first three months of 1978.

The number of mortgage commitments in March totalled 76,000, a figure which has not been exceeded since the end of 1977. The societies believe that, despite the increasing competition for funds, lending this year will continue at near record levels.

In the second quarter of 1981, advances are expected to reach a record £2.97bn with net new commitments running at just over £3bn.

Two reductions in the mortgage rate early this year are helping to stimulate and maintain mortgage demand. There are also signs that activity in the housing market is reviving on a patchy basis. Most societies still believe, however, that average house price increases this year will be modest, principally because of the outlook for incomes.

Future of bank mortgages, Page 7

JVC in European video talks

By Jason Crisp

THE Japanese-made VHS system of video-recorders, which dominates the world market may soon be manufactured in Europe where it accounts for 60 per cent of the market.

Thorn-EMI in the UK, Thomson-Brandt in France and AEG-Telefunken in West Germany are all negotiating with Japanese Victor Company to manufacture locally.

JVC is one of Japan's two major manufacturers of the VHS system. The other is Matsushita. Hitachi, Sharp and Mitsubishi also make the system.

In addition to its discussions with JVC, AEG-Telefunken is negotiating with Philips, the Dutch electricals group, to manufacture its rival and incompatible system.

The explosive growth in video-recorder sales has caused considerable supply problems. JVC, which supplies Thorn-EMI, is stepping up production from 120,000 units a month to 150,000. The European market was 1.33m units last year, mainly in West Germany and the UK. It is expected to grow by 50 per cent this year.

Thorn-EMI has the largest share of video-recorders sold in Britain, using the VHS system. This is also sold here by National Panasonic, Akai and JVC.

Europe plugs into Japanese video, Page 34

Thatcher firm

Continued from Page 1

forces yesterday. But there was still every sign that Roman Catholic resentment could re-emerge in the form of further battles with the Army and the police.

During the localised rioting in West Belfast and Londonderry, 21 people were injured, including one youth who was shot in the leg by the army. A bank, several shops and a number of buses and other heavy vehicles were burnt by rioters using petrol bombs. There was no trouble in Loyalist areas of Northern Ireland, which remained tense, as they awaited developments by the IRA and Catholic rioters.

One of the main casualties of yesterday's rioting was the De Lorean sports car factory in West Belfast. One of the office blocks of the £73m complex was destroyed by fire, causing damage which could be as high as £1m. The factory is a prestige, government-sponsored project intended to bring much-needed jobs to the Catholic Twinbrook area of the city.

In Londonderry, police reported the theft of a small container of Strontium 90 from a school laboratory. The substance was described as having "a relativeliy low radioactive content" and it is thought unlikely it could be used in the construction of a bomb.

Mr. Sand's body was handed over to his family in West Belfast prior to a military-style funeral tomorrow. The National H-Blocks Committee, which has been co-ordinating the prison protest, said that "the period leading up to the funeral should not be marred by any action which would detract from the dignity and heroism of Bobby Sands's sacrifice."

At the same time H-Block supporters have called for a complete shutdown of industry throughout Ireland tomorrow.

Mrs. Bernadette McAliskey, the former Independent MP for Mid Ulster and one of the leaders of the H-Blocks Committee, said she exepcted the response to be overwhelming. The possibility of more prisoners joining the fast would be decided after the funeral.

The aim of committee members — and of the Provisional IRA — is to keep the focus of attention on Mr. Sands and on the continuing hunger strike of three other prisoners, Mr. Francis Hughes, Mr. Pat O'Hara, and Mr. Raymond McCreesh.

Weather

UK TODAY

Low pressure. Squally showers in the west. Rain in the East and possibly in southern counties later.

London, S. England, Midlands, E. England, Channel Is., Borders
Rain crossing from West, sunny intervals. Wind southwest, moderate. Max 14C (57F).

W. Midlands, Wales, N.W. England, S.W. England
Squally showers, bright intervals. Wind southwest. Max 14C (57F).

Lake District, Isle of Man, Most of Scotland, N. Ireland.
Cloudy with rain. Max 11C (52F).

N.E. Scotland, Orkney, Shetland
Dry at first. Rain spreading from south, turning showery later. Max 8C (46F).

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	15	59	London	F	11	52
Algiers	S	22	72	L. Ang.†	S	13	55
Amsdm.	C	9	48	Luxmbg.	C	7	45
Athens	C	19	66	Luxor	S	35	95
Bahrain	S	32	90	Madrid	S	20	68
Barclna.	S	17	63	Majorca	S	20	68
Beirut	F	21	70	Malaga	S	22	72
Belfast	R	10	50	Malta	S	21	70
Blgrd.	C	12	54	M'chstr.	C	11	52
Berlin	R	10	50	Melbne.	S	26	79
Biarritz	R	12	54	Miami†	F	20	68
Bmghm.	C	10	50	Milan	S	18	64
Blackpl.	C	10	50	Montrl.†	S	12	54
Bordx.	R	12	54	Moscow	F	18	64
Boulgn.	S	8	46	Munich	C	7	45
Bristol	R	9	48	Nairobi	C	24	75
Brussels	F	8	46	Naples	F	17	63
Budpst.	C	10	50	Nwcstl.	S	8	46
Cairo	S	29	84	N. York†	C	13	55
Cardiff	R	9	48	Nice	S	19	66
Cas'b'ca	S	26	79	Nicosia	S	20	68
Chicg.†	C	18	64	Oporto	C	16	61
Cologne	C	8	46	Oslo	S	9	48
Cpnhgn.	F	12	54	Paris	F	12	54
Corfu	C	16	61	Perth	S	19	66
Denver†	S	8	46	Prague	C	10	50
Dublin	R	8	46	Reykjvk.	C	5	41
Dbrvnk.	R	10	50	Rhodes	F	21	70
Ednbgh.	F	8	46	Rome	S	19	66
Faro	S	23	73	Salzbrg.	C	7	45
Florence	F	17	63	S F'cisc†	S	9	48
Frankft.	F	8	46	Singapr.	C	30	86
Funchal	C	17	63	Stckhm.	S	11	52
Geneva	R	7	45	Strasbg.	C	8	46
Gibraltar	S	23	73	Sydney	F	20	68
Glasgow	C	9	48	Tangier	S	21	70
G'rnsey	R	9	48	Tel Aviv	S	21	70
Helsinki	S	10	50	Tenerife	F	17	63
H. Kong	C	23	73	Tokyo	S	20	68
Innsbrk.	F	9	48	T'ronto†	C	9	48
I.o.Man	F	9	48	Tunis	C	21	70
Istanbul	C	30	86	Valencia	S	25	77
Jersey	R	12	54	Venice	F	14	57
L. Plms.	S	20	68	Vienna	F	12	54
Lisbon	S	21	70	Warsaw	R	8	46
Locarno	F	17	63	Zurich	R	5	41

C—Cloudy F—Fair, R—Rain S—Sunny.
† Noon GMT temperatures.

THE LEX COLUMN

No arguing with dollar rates

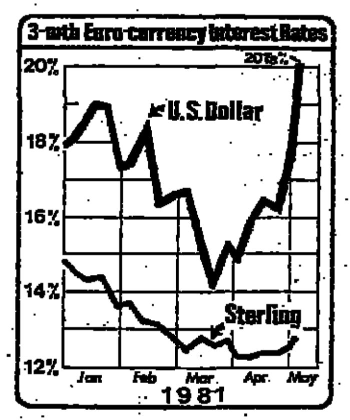
Bank holidays are all very well, but the London markets had a lot of catching up to do yesterday after Monday's sharp rise in U.S. interest rates. The gilt-edged market's attractions for international investors are considerably reduced when American Treasury bonds yield as much as British, and there can be no talk of London interest rates coming down when money in New York costs 20 per cent. So gilt-edged prices fell by well over 2 points, closing near the day's lowest levels.

The gilt-edged market is suffering from the problem that is all too familiar in Germany, where fundamental values—to a local investor—are invalidated by international pressures. The 14½ per cent yields that are beginning to creep back into the gilt-edged lists offer an unusually high prospective return relative to likely levels of UK inflation, but that seems to count for nothing when dollar rates are high and rising. Higher returns are demanded all round: even the index-linked stock, instead of majestically accruing a few fractions, as it theoretically should do regularly in line with the Retail Price Index, was marked down sharply in the general retreat.

The prospect of to-day's money supply figures, sure to be heavily distorted and hedged about with official footnotes, not to mention an entirely new set of seasonal adjustments, was not calculated to bring the buyers rushing in. The fall in gilt-edged had its parallel in the equity market, where the FT 30-Share Index fell 15 points, but the reverse yield gap actually widened further during the day.

Sterling, at least, held up well against everything but the dollar. The weakness of the French franc is putting a certain amount of strain on the EMS as a whole: the Bank of France has been intervening heavily in support of the franc, and yesterday its principal money market intervention rate was raised by a point to 13¼ per cent in an attempt to hold the currency steady over the election weekend.

Index fell 15.0 to 576.9



Mothercare

After the 24 per cent decline in Mothercare's pre-tax profits at the halfway stage, the full-year outturn—down 19 per cent at £18.1m — has proved rather better than outsiders had been forecasting. So the shares picked up 4p yesterday to 256p. But while profits have held up beter than expected, the underlying sales performance remains disappointing.

In spite of the continuing upturn in the birth rate, sales volume in existing UK stores has fallen by 4 per cent, which has been only partially recouped by a 2 per cent volume contribution from new stores. To some extent the performance of the previous year may have been exceptionally good, helped by a sharp increase in births in the first half and the VAT change making (untaxed) childrens' goods relatively attractive. Mothercare believes that the recession has cut back parental spending generally, but it is possible that the company has lost market share in 1980-81, mainly to other multiples. At any rate it is hitting back with a broader product range.

The UK sales decline caught the company with high stocks and the subsequent mark-downs had a sharp effect on gross margins. By the second half some of the damage to net margins had been recovered, mainly through cutting back on staff levels. In Europe there has been a sharp improvement in profits in the second half, but the main reasons are increased prices and lower marketing expenditure which could rebound. In the U.S., meanwhile, sales are growing at a slower rate than budgeted and profits have been hit by a change in mix. Negligible real growth is likely in the current year and the highly-rated shares are still anxiously awaiting confirmation that the company can achieve a genuine breakthrough abroad.

Tootal

The second half of Tootal's year to January was marginally less traumatic than the first six months, but pre-tax profits have nevertheless fallen to £7.3m, just half the previous year's depressed level. But for a reduction in the depreciation charge, apparently required by Tootal's auditors in connection with the asset lives adopted for current cost accounting, the figure would have been only £6m. There is little inflation left in Tootal's business, and current cost trading profits are down by a mere 15 per cent; after interest, though, there is a £3½m loss, and Tootal has decided, unsurprisingly, to reduce the total dividend by a quarter.

The group's overseas businesses have held up well, although the Filippino thread business has been under some presure, and continuing problems in the U.S. retailing operation have offset some of the strong gains at American Thread. The real difficulties have come in the UK, where despite a fair amount of loss elimination trading profits are down from £10.6m to £5.5m following the collapse of margins in fabrics, menswear and sheets.

The balance sheet has not suffered, however: despite maintained capital spending, net debt was up a mere £3m at £58.1m at the end of January, and a write-back of excess depreciation into shareholders' funds has more than made up for the cost of Tootal's rationalisation programme, which shows up in a £9m extraordinary charge. The group now feels able to forecast that cost reductions alone, without allowing for any upturn in demand, should see this year's profit back to £12m. This should mean that the reduced level of dividend, and the 9.8 per cent yield on the shares at 35½p (up 2p yesterday) are now safe. A very much smaller Tootal is gradually returning to health.

Tube Investments

In itself, Tube Investments' purchase of a U.S. gas turbine components business, King Fifth Wheel, for $54m looks a sound enough deal. The group is already experienced in this specialised product area in Europe through TI Reynolds. But there are bound to be some eyebrows raised at the decision to go ahead when TI is under such pressure at home—it has just cut the dividend, and many analysts are expecting it to report a loss for the first half of the current year. For the moment, at least, the acquisition will be financed through the banks (with $39m payable almost immediately) adding to the £125m or so of borrowings shown in the December balance sheet. Shareholders will make a mental note that when the recovery comes the rights issue will have to be that much bigger and sooner.

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